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DRUG STORE NEWS

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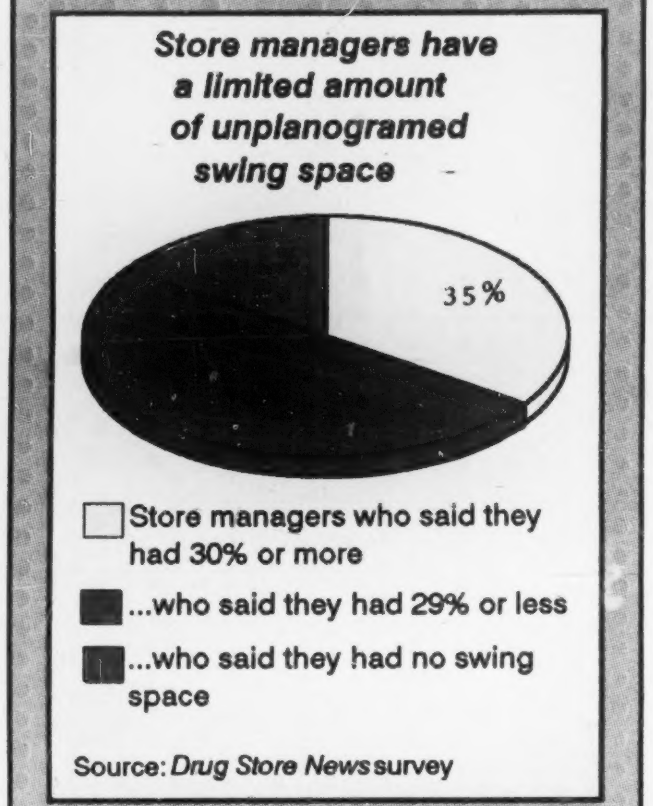
TOP OF WEEK FEATURES



Source: *Drug Store News* survey

DrSN's 2nd annual store mgr. survey

We unearth differences in opinion held by managers and operations execs towards store managers' job responsibilities. Page 10.

STORE BRAND

Chains building P-L credibility

An examination of how drug chains package store brands and back quality guarantees in a burgeoning market. Page 17.

LATE NEWS

- TWINSBURG, Ohio — U.S. Bankruptcy Court has extended until Feb. 28 Revco D.S.'s deadline to file an exclusive plan of reorganization.
- INDIANAPOLIS — The Hook division of HSI has agreed to buy the 13-store Cavett Rexall chain, based in Chicago Heights, Ill.
- HUDSON, Fla. — American Stores was expected at press time to open its third Jewel Osco combo Nov. 1 here. It plans its fourth combo in January, in the Tampa Bay-area town of Palm Harbor.
- MONTREAL — Peoples Drug Stores' operating earnings were $1.8 million for the third quarter ended Sept. 30, on revenues of $245.4 million, compared with a $5.4 million loss a year ago.
- WASHINGTON — The FDA was expected at press time to extend approval of AZT for children with AIDS.

Presidents named at 3 top chains

At Peoples, David Eisenberg oversaw chain's turnaround plan

By Susan Ball

ALEXANDRIA, Va. — David H. Eisenberg, a 37-year veteran of Peoples Drug Stores, has been promoted to president and chief operations officer at the chain.

A native Washingtonian, Eisenberg has served as senior executive vp and chief operations officer since January 1987, during a period when Peoples, at a low ebb, posted a $23 million annual operating loss. Over the past 34 months, he has been a vital force in driving the chain's turnaround plan.

Eisenberg

He reports to David R. Bloom, chairman and ceo of Imasco Drug

See **Eisenberg,** *page 23*

Lyons picked as Gary Wilber is named chief executive at Drug Emporium

By David Vaczek

COLUMBUS, Ohio — The promotions of Gary Wilber and Robert Lyons at Drug Emporium position the chain for its planned new corporate store growth, and a closer focus on franchise operations.

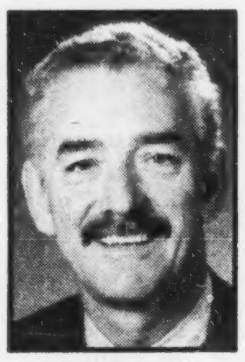
Wilber, who had been president and chief operations officer, was named chief executive officer succeeding his father, Philip Wilber. The elder Wilber retains the chairman's post.

Lyons, a seven-year Drug Emporium employee who is credited with turning around the shrink-plagued Philadephia operation, was named president and chief operations officer. He will move to

See **Lyons,** *page 23*

Lyons

Super D selects Jerry Treece, a Walgreen vet, to build its front-end business



Treece

By James Frederick

MEMPHIS — Walgreen Co. veteran Jerry Treece was named president of Super D Drugs, effective Oct. 25, marking the first time the 100-store drug chain ever went outside its own ranks for an officer. The move signals a desire at Super D to broaden management expertise and build business at the front end of the stores, which have traditionally played second fiddle to the pharmacy operation.

Treece, 49, is a pharmacist and 32-year Walgreens veteran who has served for the past seven years as Memphis district manager for the nation's top drug chain. In that time, Walgreens added 19 new

See **Treece,** *page 23*

K mart's smart new format strengthens Rx, H&BA role

OAK PARK, Mich. — Prescription drugs, H&BAs and other drug store merchandise get major play in K mart's new, upscaled store prototype, with a strong presentation at the front of the store adjacent to the checkstands.

K mart unveiled its much-heralded new store format in this suburban community north of Detroit in early August, eliciting praise from retail analysts, competitors and — most importantly — its customers. The new prototype is a dramatic step up in ambiance, merchandise presentation and decor for the discount store giant.

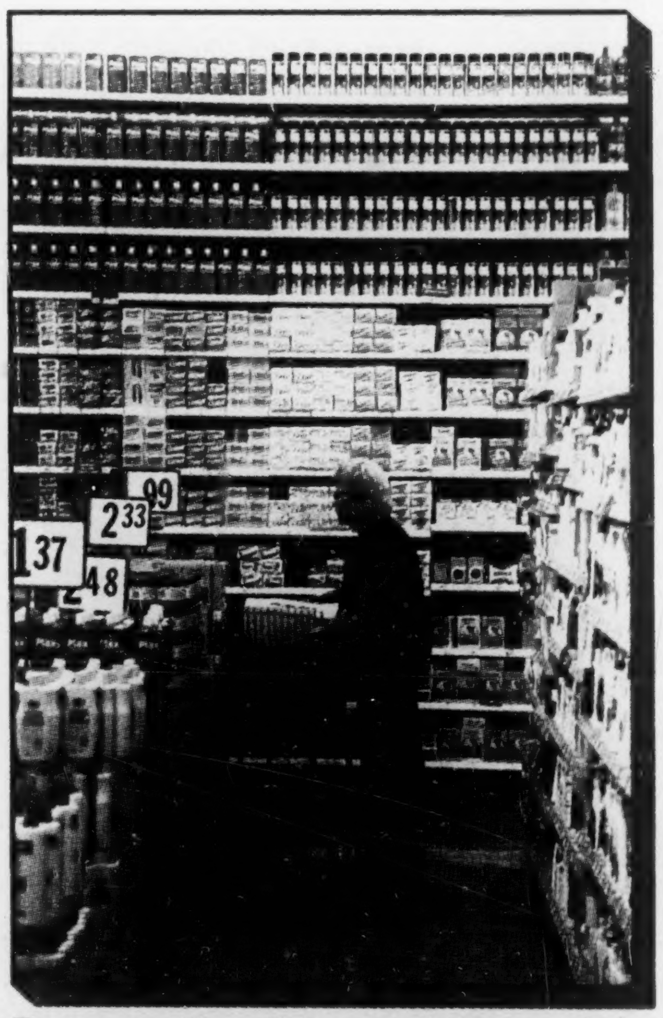
The store features wider aisles and shelving, more natural lighting, bold graphics and subtle lighting cues to highlight each department. Perhaps most importantly, merchandise in the new prototype has been completely repositioned and grouped into distinct departments throughout the store that each have their own lighting, decor and mood.

Far more impact is given to the pharmacy and drug store area, which commands a prominent position at the front of the store between the checkout registers and the electronics department.

> *The pharmacy counter has been lowered to allow for easier customer interactions. The store averages 150 to 200 scripts on busier days.*

"We got all the consumables across the front of the store, because this is what the customers were telling us they wanted," noted store co-manager

See **K mart,** *page 24*



Power merchandising of H&BAs includes prominent location and high stacking of product along perimeter walls.

Industry quick to respond to S.F. quake

By Pamela Meek with James Frederick

SAN FRANCISCO — When the ground and buildings stopped shaking Oct. 17, Pay Less pharmacists here took to the streets. Scarcely missing a beat, they set up practice on the sidewalks, taking prescription orders and filling them inside their quake-damaged stores while their patients waited outside.

At Pay Less and Longs, clerks and managers worked side by side through the night to clean up dozens of stores and get them back in business. The stores were in shambles, with broken glass and overturned displays filling the aisles.

In Stockton and Fresno, dozens of Longs employees volunteered in the cleanup effort, while at Bill's Drugs store in Gilroy, employees stayed on until midnight shopping for customers who waited outside for such essentials as candles and flashlights, batteries, bottled water and medicines — and beer.

This was the aftermath of the San Francisco Earthquake — California's worst since 1907. It brought out the best in people on the front lines of the chain drug store industry.

See **Quake,** *page 24*

Drug Store News' ***Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.***

SECOND CLASS

NEWS IN BRIEF

NACDS changes show dates

ALEXANDRIA, Va. — Citing demand for exhibit space, NACDS has booked the Infomart center, across from Loew's Anatole in Dallas, to hold an estimated 450 booths at next summer's Marketplace conference. All sessions will be at the Anatole. The show dates were also changed to June 10-13.

NACDS also changed the dates of this winter's Distribution Conference, to Feb. 25-27 at Innisbrook Resort in Tarpon Springs, Fla.

In an unrelated matter, president Ron Ziegler has agreed to serve on an American Red Cross relief committee, which is committed to raise $42 million in corporate donations to help people recover from the effects of Hurricane Hugo.

High court to eye Lucky/Alpha Beta deal

SALT LAKE CITY — The U. S. Supreme Court has agreed to review the antitrust lawsuit brought against American Stores by the State of California, delaying once more the planned merger of its Lucky and Alpha Beta grocery chains.

John Van de Kamp, the state's attorney general, is looking to block the merger on antitrust grounds, contending that the combination of the two chains will lead to higher consumer prices. American Stores, however, has maintained the merger will allow for a consolidation of operations and therefore lead to lower prices.

In August, a U.S. Ninth Circuit Court ruled the merger could commence, and returned the decision on the suit to a lower court. Van de Kamp, however, appealed this move to the Supreme Court and Justice Sandra Day O'Connor agreed to continue the merger block until the full court had a chance in October to discuss possible review of the case.

The Supreme Court's decision on the merger is not expected for several months. American Stores, which purchased Lucky for $2.5 billion in June 1988, has said the merger delay is costing the company about $1.5 million a week.

American Greetings buys hair care line

CLEVELAND — American Greetings announced its purchase of the Wilhold hair care line from First Philips Mfg. for an undisclosed sum. Wilhold makes hair accessories. The greeting card firm, in this diversification move, expects to transfer its marketing strengths at mass retail to Wilhold.

SDM tabs Daley sr. exec vp-operations

Daley

TORONTO — Dale Daley has been appointed senior executive vp-operational services of Shoppers Drug Mart, responsible for 630 pharmacies across Canada, said David Bloom, chairman and ceo.

Daley was appointed the Shoppers Drug Mart pharmacist-owner in Bathurst, New Brunswick, in 1974. In 1980, he became director of administrative services and was named executive vp for the Atlantic region, responsible for 108 pharmacies in the Maritimes, in 1982.

BTS show dates affirmed

NEW YORK — In response to erroneous reports in the industry, Thalheim Expositions announced there are no plans to change the dates or location of the 1990 National Back-To-School Merchandise Show.

The show is scheduled on Feb. 10, 11 and 12 at the Jacob Javits Convention Center here. For more information, contact Thalheim Expositions, 42 Bayview Ave., P.O. Box 4200, Manhasset, N.Y. 11030-4200; (516) 627-4000.

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Industry relieved over 'Catastrophic's' demise

WASHINGTON — While pulling the plug on the Medicare "Catastrophic" drug plan by Congress drew mixed reactions from pharmacy associations and prospective industry participants, overall they were relieved that the bill had not stood in its present form.

When the bill was originally enacted last year, retail pharmacy groups were among the most ardent supporters of the new Rx drug benefit. What they expected to see from the bill was an upsurge in demand for prescription drugs among the nation's 30 million elderly combined with a Medicare drug plan that appeared to offer a reasonable, if not generous, reimbursement formula for participating pharmacists. But after close scrutiny of those reimbursement formulas, many chains had second thoughts.

"We've concluded that we're much better off without catastrophic," said Alex Grass, chairman, Rite Aid. Unless the act had been amended, he continued, the reimbursement levels would have been "totally unsatisfactory." However, he added, "it would have increased the utilization of prescriptions at a faster rate than in the past."

> *'I think that as far as the industry goes, the catastrophic plan would have generated more business . . . however, I don't think that the gains would have been as large as some were expecting.'*
> **—Jeff Atkinson**

At the St. Louis-based Medicine Shoppe International, reaction to the bill's demise had much of the same overtones as Rite Aid's.

"I think that as far as the industry goes, the catastrohpic plan would have generated more business — I don't think anyone would argue with that," Jeff Atkinson, vp-marketing and strategic planning, said. "However, I don't think that the gains would have been as large as some were expecting. I do think that it probably will end up being a loss for the overall industry."

Not all industry observers were glad the bill did not become a reality. For Norman Reiter, president of Remo Drug Corporation, a drug wholesaler based in Brooklyn, N.Y., the bill's defeat was a defeat for Medicare patients who needed the extra coverage.

"I feel badly for the people on Medicare who really needed the catastrophic coverage," said Reiter. "Also, I thought we, as drug wholesalers, would have benefited from the

Continued on page 25

McK plans nationwide Valu-Rite TV ads

By Pamela Meek

SAN FRANCISCO — In support of 3,000-plus Valu-Rite customers, McKesson Drug Co. has launched a $2.5 million nationwide cable television advertising campaign.

The commercials are broadcast in conjunction with Valu-Rite's circular and radio ads on Cable News Network and Lifetime and will continue as an ongoing program. Claudia Sacino, vp-marketing, said two current 30-second TV ads provide both image and price/item promotion messages.

Valu-Rite's image ad features a pharmacist reminiscing about his career that has included both working at, and opening his own, Valu-Rite pharmacy. The overall message, however, is summed up at the end with a voice over: "Valu-Rite. It's as much your pharmacy as ours."

While this spot will run unchanged for some time, the price/item commercials will change nine times a year in conjunction with Valu-Rite's circular program. Sacino said the two commercials are paired to run within about an hour of each other, so viewers receive both messages.

The commercials reach 300 cities. In the first year, they'll run 900 times and deliver 840 million household impressions. Sacino said the target audience is women aged 25 to 54, so the commercials appear during programs like "Sonja Live" to reach daytime viewers, and during "Headline News" in order to reach working women when they are home.

> *The overall message is 'Valu-Rite. It's as much your pharmacy as ours.' The commercials reach 300 cities. The target audience is women aged 25 to 54.*

McKesson expects to run some ads on superstation WTBS in the first quarter of 1990. Sacino said cable stations were chosen over network shows because the national reach is better and cable is more cost effective.

Sacino said the move to national advertising was a natural outgrowth of Valu-Rite's marketing plans, and "it's a natural way to complement our network radio." She said this is the first time Valu-Rite has used national TV ads, although some regional commercials have run in the past.

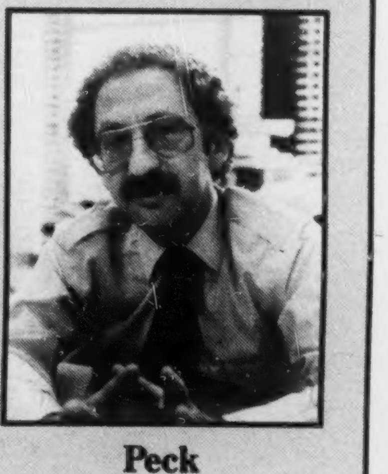
Funding for the spots is being shared by both McKesson and Valu-Rite members, according to Sacino. Two outside firms are currently producing the commercials.

Bergen campaign

McKesson's launch begins about the same time as Bergen Brunswig's national television campaign to support its 700-plus Good Neighbor Pharmacy stores. Bergen has also chosen CNN and other cable channels, with the cost being shared by both stores and the wholesaler.

The move toward national television ads in support of voluntaries is just one of many moves by the nation's two largest wholesalers to offer their customers value-added programs. As drug chains continue to snare a larger portion of the market, many wholesalers have grown more aggressive in offering independents complete operational and marketing support systems.

Former Peoples-vp Peck dead


Peck

WASHINGTON — Steve Peck, 46, a former vp and general merchandise manager and longtime employee of Peoples Drug Stores, died here Oct. 21.

A former associate, Sheldon "Bud" Fantle, chairman and ceo of Fantle's Drug Stores, said: "Steve Peck is a great loss to the industry, because he was one of the most creative merchants in our field. He had a true sense of creativity, demonstrated in his expertise in the private-label area, where he was singularly responsible not only for helping Peoples establish its private-label program, but for helping manufacturers in establishing criteria and benchmarks to create superior product."

Fantle continued, "There is no question that he was well ahead of his field and was one of the most astute individuals in the private-label area."

Dalton departs Reliable; chain alters assortments

INDIANAPOLIS — David L. Dalton has left his position as senior vp-pharmacy operations at Reliable Drugs, a new drug chain headed by Roger Grass, to start his own business.

Albert "Abby" Claudio, formerly Reliable's vp-pharmacy recruitment, replaces Dalton as senior vp-pharmacy operations. Larry Hruska succeeds Claudio as head of pharmacy recruitment. Both Claudio and Hruska are Rite Aid alumna, having been divisional managers (pharmacy) in West Virginia and Pittsburgh, respectively.

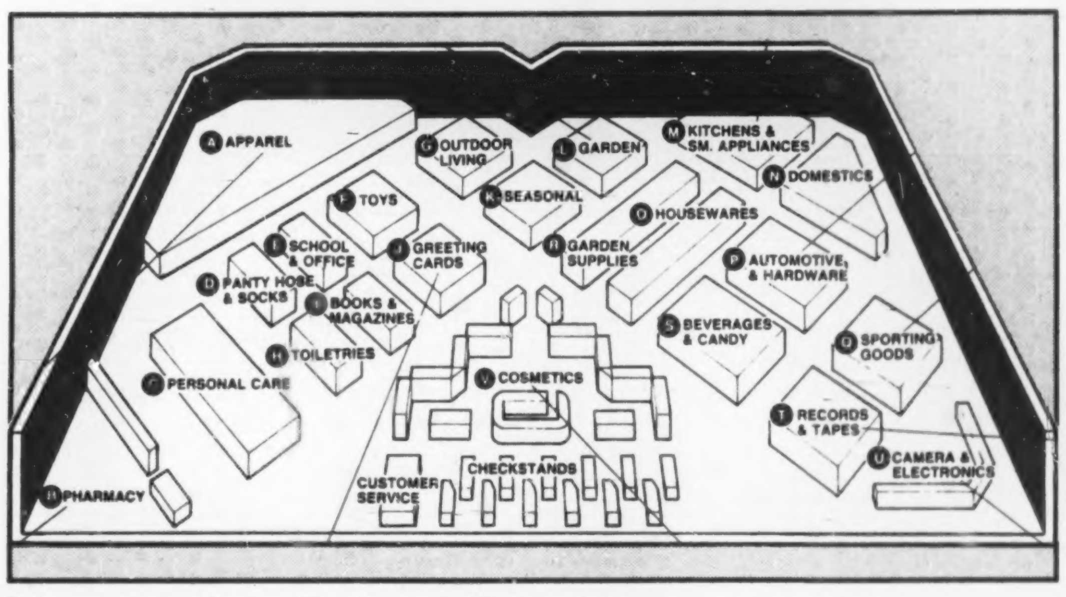
Grass said the stores, all located in the Midwest, with the majority in Indiana, are being changed over to their new Reliable Drugs identity and that store signage changes will be completed by January. Five units have been closed, and there are plans to close one more, for a net of 114 stores.

"We're in a transitional mode," he added, noting that the chain is in the process of liquidating excess inventory, particularly in non-drug store products and general merchandise. The multimillion-dollar markdown program began in September and will continue through the fall. The chain's pharmacies all now have a fully automated computer system, and Reliable will be accepting most insurance cards on new prescriptions and refills.

Reliable Drugs will offer everyday low pricing, with reduced prices on prescriptions, H&BA and liquor.

Referring to Dalton, Grass said: "We came to a mutual understanding that he wanted to move on, and we said fine." Grass, as part of an investment group, bought 120 drug stores from Peoples Drug Stores this summer and formed Price Right Discount Pharmacies, recently renamed Reliable Drugs.

"I left for reasons of personal growth and ambitions," explained Dalton, who was vp-professional relations at Rite Aid before joining Reliable's original management team. "I have an excellent relationship with both Reliable and Rite Aid." Dalton said at press time he was not free to discuss his new business project yet.



Floor plan of new Pay Less NW prototype.

Pay Less prototype is paying off

WILSONVILLE, Ore. — Pay Less NW is posting double-digit sales gains in stores it remodeled this year to match the company's prototype.

The 282-store chain has so far converted four locations to the new format, and opened 20 new stores in this same vision. The company first unveiled its upscale look at Cameron Park, Calif., in January.

Tim McAlear, chief operations officer, said sales improvements are attributable to the format's emphasis on pharmacy, OTC, cosmetics, toiletries, greeting cards, stationery and consumer electronics. Indeed, McAlear said it is these areas at the remodeled stores where volume is running well above the company average. "One of the objectives of the layout was to emphasize those core departments."

Few changes have been made since the initial store was opened, McAlear said. Some differences exist in its three sizes of 23,000, 27,000 and 31,000 square feet. Only the largest stores carry apparel; smaller stores, primarily in Southern California, carry a reduced selection of automotive, hardware and sporting goods. With these reductions, McAlear said, the smaller stores can still maintain the same square footage in the core departments.

Pay Less expects to open 13 more stores under the new format by the close of its fiscal year at the end of January. All remodels for the year have been completed. In 1990, McAlear said the chain is looking to open 41 new stores and plans to complete eight remodels.

Eckerd, Pay Less sign on w/AMEX

CLEARWATER, Fla. — Eckerd Drug Stores and Pay Less NW will both accept the American Express® card in all stores, starting this month.

Both chains already accepted VISA and MasterCard as alternative options to paying cash for merchandise; Pay Less also accepts Discover.

The service began Nov. 1 at all 1,605 Eckerd stores, said Michael Zagorac, vp-public affairs at the chain. At Pay Less NW, all 282 stores will honor the card by Thanksgiving, said Tim McAlear, chief operations officer at the chain.

"Our consumer research showed many people shopping in our stores wanted to use their American Express card as payment," Zagorac said.

Rite Aid Corp. sees investment opportunities

By Susan Ball

NEW YORK — Noting that Rite Aid has grown about 57 percent over the past two-and-a-half years, primarily through major acquisitions, chairman Alex Grass told a group of financial analysts here recently that there is less competition for acquisitions and store sites today than at any time in the company's history.

Moreover, "we believe other opportunities may be presented to us," Grass said. He cited restructurings and LBOs as main factors hampering some chains in Rite Aid's 22-state market from expanding as aggressively as they had previously, concentrating their energies instead on "managing their business or paying down debt."

"The price has been right," Grass said of the acquisitions that Rite Aid has been able to get at "net worth or a little bit more." As of Sept. 2, Rite Aid operated 2,293 drug stores.

Rite Aid pursued its most recent acquisition —

Continued on page 26

. . . as video rental business is curtailed

By Christine Bizzarro

SHIREMANSTOWN, Pa. — Rite Aid has reached the final reel of its effort to claim a major stake in the booming video rental business. After four years of investing heavily in videotape rentals, Rite Aid will remove the departments from most stores by Nov. 30.

Currently, 1,002 Rite Aids are renting an average 1,200 titles apiece. Chairman Alex Grass told analysts at a recent meeting in New York that 75 to 100 stores in rural and small communities will continue to rent videotapes.

Grass, referring to the chain's video business overall, said it "didn't just decline. It fell off the ledge."

Suzanne Mead, assistant vp-corporate communications for the over 2,000-store chain, told *Drug Store News*: "We anticipate a [$22 million] pre-tax write-off of our video rental departments in the third quarter, because our sales were slack in that area, attributable to other types of competition for video rentals."

Video specialty stores have consistently taken a larger share of the video rental customer from other types of outlets, including drug stores, convenience stores and grocery stores.

Investment firm First Manhattan Co. reported that Rite Aid's video business faltered for several reasons: Tape rentals failed to produce cross merchandising sales, same-store video rentals declined 10 to 20 percent since 1987, and weak sales along with high depreciation and handling costs resulted in negative earnings in the first quarter of 1989.

Rite Aid said no definite plans for the department will be disclosed until the end of the third quarter.

Opportunities still seen

Despite the increasing number of video specialty stores opening around the country, taking larger chunks of the video rental business away from drug stores, some drug, combo and deep discount chains still see video rentals as an important part of their mix.

For example, Phar-Mor has had success with its video rental department, said Carol Robinson, director and vp-advertising. It charges a stunningly low 69 cents per rental per day in most markets, with a special "three videotape rentals for $1.50."

Robinson said Phar-Mor has added space to some of its video rental departments within the past eight months, installing an extension to video rentals and calling the department "Movies & Music." The department now sells CDs, audio and video cassettes in some locations.

Randall's Food Market has experienced intense competition from video specialty chains in recent months, said Bill Harris, vp-nonfoods of the 40-store, Houston-based combo chain. "Blockbusters are opening all around us, even in the same centers where our stores are," he said.

For instance, Randall's expanded a video department in one remodeled store from 400 square feet to 900 square feet, to follow Randall's average video department size of 900 to 1,000 square feet.

Next year fewer than 100 Rite Aids will rent videotapes, down from 1,002 currently.

"That expansion coincided with a total facelift of the store, and our grand opening also coincided with a Blockbuster grand opening 100 yards away from us," Harris said.

Randall's, which has 37 video rental departments, didn't lose any ground in this particular store. Harris attributed this to the combo's commitment to selection and service. "We carry 4,000 to 6,000 titles, and feel new releases satisfy customers," he said.

The combo's two-tiered rental prices ($1.88 per tape per two days for those on the market 10 weeks or more, and $3 per tape per two days for new releases), "allows us to afford more hot titles in our mix," Harris said.

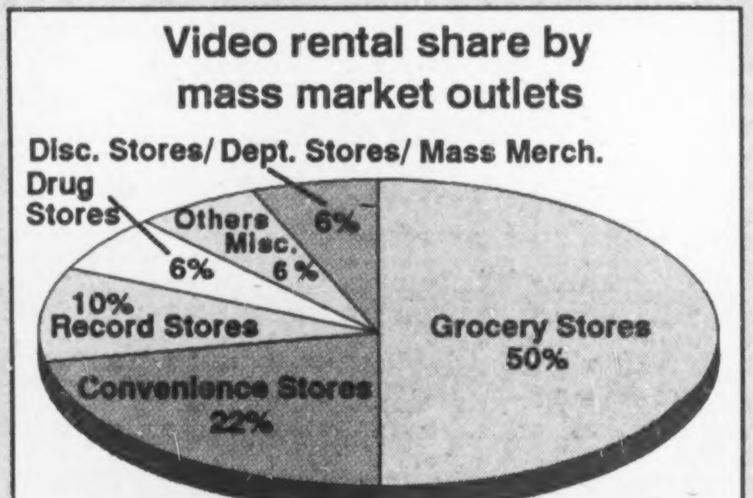
Smaller chains expanding

Large chains aren't the only ones looking to upgrade video rental departments. Lewis Drugs, Sioux Falls, S. D., recently opened a new 50,000 square-foot store in the Eastern part of the state, said Mark Griffin, president. It includes an additional 500 square feet for the department, making video rental 1,500 square feet. In addition, the seven-store chain computerized the department in all stores this summer.

Richardson's Pharmacy, a five-store chain in Ann Arbor, Mich., first bought a rental tape inventory for one of its stores in 1988. Now, the chain has expanded the department to two more stores, with a third being primed for a video rental selection thismonth, said Jim Decker, director of merchandise.

"One of our stores is right across the street from a Blockbuster," Decker said, "and we also compete with Meijer's in this market." Richardson's charges a 99-cent rental fee. "Drug stores would never be able to charge three dollars a tape, like the video stores do," he said, but added that "our prices are competitive with other merchants who rent videos."

Decker said, "It's not terribly profitable, but is a good traffic builder and gets customers into the store twice."



Video rental share by mass market outlets

For the first quarter of 1989, exclusive of video specialty stores. Total rental revenues, exclusive of video specialty stores, for the first quarter 1989 is $763 million. Video specialty stores accounted for more than $2 billion in rental revenues.

Source: Fairfield Research, Inc.

OPINION

Dave comes full circle with Peoples

IN THE MARKET

BRUCE BUCKLEY

The year: 1952. The place: Washington, D.C. National feelings about America's involvement in another less-than-popular war, in Korea, were running high. The threat of communism and war with Russia had uncovered a deep well of fear and paranoia in the traditionally brash and carefree American spirit. Still, the country's mood was largely buoyant. A decade of unparalleled growth and prosperity had just begun to unfold: the American decade.

In June of that year, a friendly and ambitious teenager by the name of Dave Eisenberg was about to start a new summer job as a soda jerk at one of Peoples' 200-plus drug stores. The Washington-based Peoples, which then resembled a collection of small, urban independents rather than today's modern, suburban-oriented chain, was offering 65 cents an hour to young entry-level workers.

Dave began his new job on June 13, 1952, one day shy of his 16th birthday. Last week, 37 years after he first began to dish out sundaes, malts and sandwiches to a hungry drug store clientele, Eisenberg was named president of Peoples Drug Stores.

What a remarkable story — especially in this age of the disposable executive and management musical chairs. What a reward for talent, loyalty and, of course, extreme flexibility, in the face of the momentous changes that have taken place at Peoples over the past three decades. To Dave, in a congratulatory phone conversation this week, I remarked on the uniqueness of his situation. Had he ever considered leaving Peoples?

"Every time I got itchy feet, something always happened, a promotion or something else," he told me in the friendly and ebullient fashion that has made him one of the industry's most popular executives. Even when things got bad, he said, something always"kindled" his belief that the situation would turn around.

The past five years are an example. Based on many factors, including — perhaps most importantly — a failure to keep pace with ever-more potent competition in widely spread markets, Peoples hit a low ebb. Under Eisenberg as chief operations officer, and with the strong support of Imasco and David Bloom, the chain began a vast restructuring that involved people, markets and basic operations. The result: A slimmed-down Peoples has begun to turn in sparkling results and is looking confidently to the future.

Eisenberg told me that the turnaround has ignited a resolve to begin growing, after a vigorous retrenchment. Peoples will probably never expand again as it did in the chain's "go-go" years of the sixties and seventies, Eisenberg said, but it will be there aggressively picking up independents and small chains in contiguous markets and thereby strengthening its position as one of the premier operators in the business. The focus, he said, will be on discovering what customers want and fulfilling those expectations.

Research and technology has become increasingly important in Peoples' long-term strategy. Eisenberg says Imasco is "betting the book" on technology, which includes intensive consumer research and increasing investment in new performance measurement tools. Whatever it takes, he says, "Peoples will be there."

Yes, it's a far cry from the days when a young Dave Eisenberg wrapped customer packages in brown paper and string while chatting about the weather or the latest doings of the Senators — the baseball team not the Congressional kind. Yet, in Peoples' renewed focus on its relationship with customers, the chain seems to have come full circle — back to an earlier, friendlier time when the world wasn't in such a hurry. What a great way to regress.

'Anticompetition bill' bad for businesses

WASHINGTON PERSPECTIVE

KEN RANKIN

Imagine this: The wholesaler you've been dealing with for years suddenly cuts back on deliveries. You check your records and discover that the service you've been receiving from this firm has been slipping for the past several years. Worse yet, you find that competing distributors have been regularly beating your wholesaler's prices!

You talk things over with the wholesaler, but get no assurance that these problems will be corrected. What do you do?

That's easy — switch to a different wholesaler! Right?

Problem is, that may not be an option open to you. Not if Sen. Dennis DeConcini (D-Ariz.) has his way.

DeConcini is pushing new legislation to carve open the federal antitrust laws and legalize all agreements between manufacturers and wholesalers to enforce exclusive distribution territories. At the same time, this bill would also grant antitrust immunity to schemes under which manufacturers limit the geographic markets of distributors.

Ironically, the bill is labeled the "Interbrand Competition Act of 1989." In reality, it would permit manufacturers to effectively destroy competition between wholesalers, and leave drug stores with only one source for many products.

Proposals to confer antitrust immunity on exclusive territorial arrangements aren't new. A decade ago, the soft drink industry muscled such a bill through Congress. As a result, retailers were forced to buy from only one designated bottler or distributor in each market, and the price of soft drinks to consumers rose sharply in many areas.

At the time that soft drink bill came under debate, retail and consumer groups argued that passage of such legislation would encourage other industries to seek similar anticompetitive protections.

Sure enough, they were right. The nation's beer distributors have been pressing Congress for immunity to demand the same exclusive territorial rights that soft drink bottlers now enjoy. That "beer bill" — the Malt Beverage Interbrand Competition Act — has now given way to DeConcini's even broader proposal, which would affect everything from H&BAs to candy to pharmaceuticals.

Let's take the example that we started with — the independent druggist with an over-priced, unresponsive wholesaler. Dropping that firm may be difficult if it is the only wholesaler in one's area authorized to sell the number one line of hair coloring products, or the prescription drugs of a major brand-name pharmaceutical house.

In reality, it [the bill] would permit manufacturers to effectively destroy competition between wholesalers, and leave drug stores with only one source for many products.

If anything, drug chains would face even greater potential headaches under DeConcini's plan. In addition to the difficulties associated with replacing noncompetitive distributors, regional or national chains might be forced to replace otherwise acceptable wholesalers who could suddenly find themselves caged in by territorial restrictions.

In a market like this one here in Washington, for example, instead of dealing with a single wholesaler, Peoples, Fantle's and Rite Aid could be required to deal with three or four different distributors.

Wholesalers — at least those in the drug field — don't need this kind of "protection" And nobody needs this kind of anticompetitive legislation.

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TRENDS

Second annual Drug Store News *store management survey*

Store managers, operations execs not always in sync

Just what is the job of a store manager? As this year's *Drug Store News* survey on the role of store managers shows, the answer depends on whom you ask.

Compiled in late August, the second annual study points up clearly that store managers often have a different perception of what their job limits are than do their ultimate bosses at headquarters, the operations executives who set policy. For the second year, the study reveals a lot of gray area between the company policy set by headquarters and the way that policy is interpreted by store-level people on the front lines.

The survey points up some startling divergence of opinion, often among store-level and headquarters people in the same company. For instance, nearly one-third of the store managers in the survey say they get "very involved" in developing overall planograms for the store, and 53.8 percent of them say they are very involved with checkstand merchandising.

Compare their responses with those of the operations executives at headquarters who answered the same questions about their store managers. Not one of them agreed that their store people get much involved with planograming, and only one in four said the store managers had input into merchandising checkstands. Someone, it seems, is misinformed.

A majority of store managers — 59.3 percent of those polled — also feel they can change product facings and positions at their own discretion, and only 25.9 percent of them say they must check with headquarters first. This may come as news to some operations execs, half of whom said the managers must check with them first before shifting product around.

There is also disagreement about staffing: 44 percent of store managers felt they can staff their stores as they deem appropriate, while only 9.1 percent of the operations execs agreed with them.

While all this may give operations people a second helping of the jitters — the findings, after all, indicate the same kind of perception gap between headquarters and the field as did last year's study — the results have a silver lining. The survey underscores a growing desire for greater decision-making autonomy by store managers, a desire to take greater responsibility for the businesses they run. That desire is a healthy one for the business, as any operations exec will likely attest.

Certainly, both groups of respondents agree that store-level autonomy has grown in the past two years, and majorities in both groups predict the trend will continue over the next couple of years as more decisions are shifted out to the field. There are a variety of reasons for this shift, including the growth of retail technology and other management tools; the growing flexibility of modern inventory control systems; and, in the words of retail analyst Kim Walin of Prudential-Bache, the recognition that "you have to compete locally."

Drug chains around the country are putting that maxim into practice. At Perry Drug Stores, for instance, the chain has sparked a revitalization by shifting its whole corporate philosophy around, according to senior vp-store operations Gary Allen. Much of the decision-making has been moved out to the front lines, and a generous and clearly defined bonus program provides the impetus.

"The whole thing has turned around, where stores now pull merchandise instead of us pushing it, and headquarters now acts as a service to the stores," Allen said.

"The business is a lot more exciting now, with a different philosophy and more decision-making by management," agreed Perry district manager Martie Karr. "There's more work to be done in the stores now, but the work is much more organized and easier to accomplish."

The shift has also been underway at Revco, where managers can now change planograms to meet local conditions after their DMs inform headquarters merchandisers. "The

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Note: The identity of survey respondents is confidential information. The executives quoted in our coverage were interviewed separately to augment the survey's findings. —***Ed.***

Creative displays earn rewards for store managers and staff

(Percentage of respondents)

	Total headquarters	Store managers
Bonus incentive from headquarters	50.0%	41.0%
Recognition in a company newsletter, store sign or ad	25.0	30.8
Bonus incentive from manufacturer	25.0	25.6
Time off with pay	00.0	02.6

Source: *Drug Store News* survey

Store managers enjoy greater autonomy since 1987

(Percentage agreeing)

Operations execs	**75.0%**
Store managers	**76.9**

. . . and should have more through 1992

Operations execs	**67.0%**
Store managers	**60.0**

Source: *Drug Store News* survey

Methodology of the study

This exclusive *Drug Store News* study on the role of store managers was undertaken to explore their overall autonomy and decision making authority at many of the nation's largest drug chains.

Questions also focused on perceptual differences between store managers, and their directors and vice presidents of operations, regarding the degree of independence at store level.

Telephone interviews were conducted in late summer. Thirty-seven interviews made up the study. These included 12 vps or directors of operations, and, for each headquarters respondent, at least two different store managers of the same drug chain, adding 25 store manager interviews.

In all, 12 chains among the 100 highest volume operators in the U.S., are represented in the study.

Store managers get "very involved" in . . .

(Percentage of respondents agreeing)

	HQ operations executives	Store managers
Merchandising endcaps	67.0%	72.0%
Merchandising checkstands	25.0	53.8
Merchandising OTC/Rx	25.0	15.4
Developing overall store planogram	00.0	32.1

Source: *Drug Store News* survey

Store managers change product facings and positions more often than headquarters execs think they should

(Percentage of respondents so indicating)

	Operations execs	Store managers
Store managers can change at own discretion	41.7%	59.3%
Must check with headquarters first	50.0	25.9
No changes allowed at all	8.3	14.8

Source: *Drug Store News* survey

Store managers change prices less often than headquarters execs think they should

(Percentage of respondents so indicating)

	Operations execs	Store managers
Store managers can change prices at own discretion	25.0%	11.1%
Must check with headquarters first	50.0	44.4
Managers can make no changes at all	25.0	44.4

. . . and generally disagree on why price changes might be needed

(Asked of "check first" group)

	Operations execs	Store managers
To meet prices of local competition	37.5%	62.5%
To "push" an overstocked brand or product	37.5	18.8
To attract customers	25.0	18.8

Source: *Drug Store News* survey

Store managers and headquarters disagree on who determines size of store-level full-time staff

(Percentage of respondents so indicating)

	Operations execs	Store managers
Store managers can staff as they deem appropriate	9.1%	44.0%
Joint decision between store managers and regional or headquarters execs	72.7	52.0
Regional or chain decision alone	18.2	04.0

. . . and part-time staff

	Operations execs	Store managers
Store managers alone	9.1%	46.2%
Joint decision	72.7	50.0
Regional or headquarters alone	18.2	03.9

Source: *Drug Store News* survey

Store managers, ops execs out of sync?

Continued from page 10

demographics of our markets vary greatly, so we've got to have somebody at the store level who can make decisions," said a Revco insider. "We recognize the need for a higher level of management in the stores, and we're looking for business people to run them. We're evolving to non-registered [non-pharmacist] store managers. . . because the pharmacist has his or her hands full. We set out guidelines for the managers, and give them all the management reports we can to help them do their jobs."

At American Stores' American Drug Stores division, a shift in decision-making has been outgoing to the stores for the past year under chairman Dick Scott, a former Longs executive. "Scott gave us a straightforward mission: to bring the customer the highest possible level of satisfaction, whatever it takes," said vp-administration, general counsel and secretary Alan Barker. "The freedom our store managers have. . . gives them a feeling of store ownership. In large part, they make the decisions."

The use of POP systems and other retail technology has given store managers more autonomy, say many executives. "We try to use technology to help [our managers] make better decisions," said Tim McAlear, executive vp and chief operations officer of Pay Less Drug Stores NW. "Our managers have always had considerable autonomy, and now they're getting more information to help them make decisions [about merchandising, staffing, etc.]. We've also tried to educate our managers in financial controls, and it's made a big difference."

At Arbor Drugs in Michigan, the focus for managers is on customer service. They have discretion over the amount of inventory they receive, but pricing and buying are done through the central office. "It's tough enough to get one or two good buyers; how are you going to get 100 if you ask your managers to buy?" asks Max Ernst, Arbor's executive vp and chief operations officer. "The role of a manager is to take care of his people and make sure his customers are being served, and the more pressure we take off him, the better."

No consensus on vendor involvement at store level

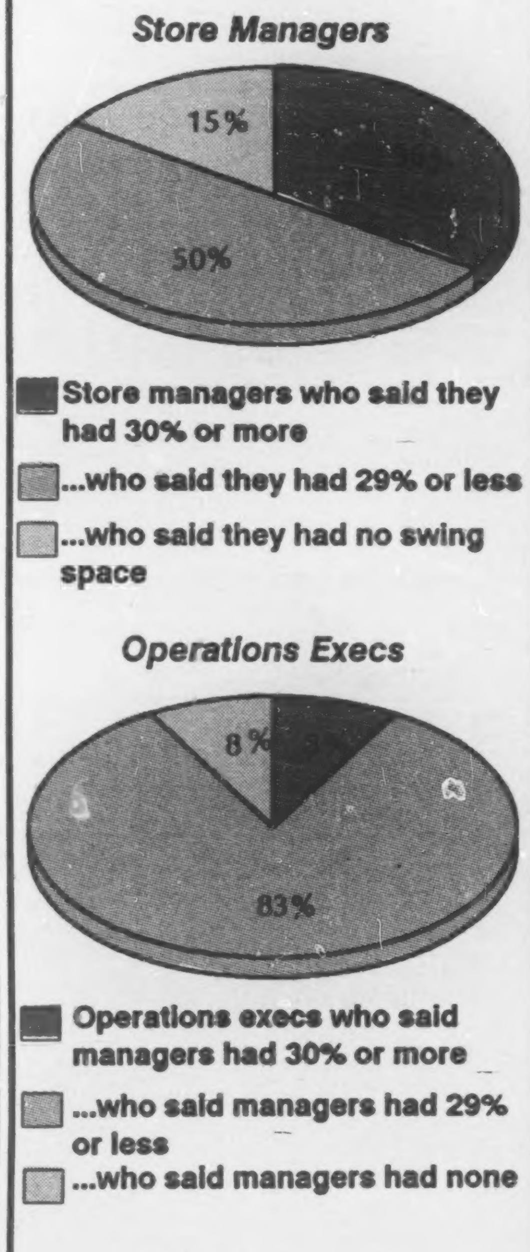
(Percentage of respondents)

Vendors play an active role in . . .	Percentage of store mgrs. reporting HQ encouragement	Percentage of store mgrs. who favor vendor role completely/somewhat
Supplying POP materials	46.2%	54.5%
Sampling	61.5	56.3
Reordering, replenishing shelf stock	46.2	38.5

Source: *Drug Store News* survey

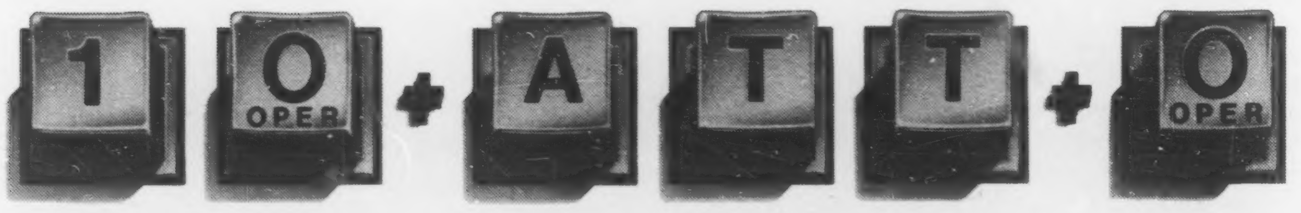
Store managers have a limited amount of unplanogramed swing space

(Percentage of respondents reporting)



Source: *Drug Store News* survey

For 65 million callers, every public phone is now an AT&T phone.



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Retail site fight cools off, Alex Grass tells analysts

Continued from page 3

that of 18 Lane Drugs stores in south-central New Jersey, which was completed Sept. 29 — off and on for about 15 years, Grass said, and was finally able to get the stores "for about $1.5 million less than we would have paid three-and-a-half years ago." As with the Peoples stores, located mainly in Ohio, the stores in the New Jersey acquisition were in "good shape" when acquired, he noted, and will require little remodeling.

Grass told the Retail Analysts Group at a meeting in the World Trade Center that the most serious impact on Rite Aid's earnings over the past two years has been from absorbing its acquisitions, including 533 stores in 1987 (Gray Drug Fair and SupeRx units), 39 Begley Co. stores in 1988 and 114 Peoples (formerly Lane Drug) stores, primarily in Ohio, this fiscal year. He said 470 acquired stores have been remodeled to date, at an average cost of $125,000 per unit.

He added that because the company has "stayed on top" of maintaining existing stores while holding to a rapid pace of acquired-store remodeling, "we are a leader in the industry" and that Rite Aid's remodeling schedule can now be slowed down.

Discussing second-quarter results, Grass noted that comparable-store sales were 8.1 percent at core stores and 3.5 percent at acquired stores, with the latter "strengthening each month." Martin Grass, president, added that by the fourth quarter of this fiscal year, stores acquired in 1987 should be contributing 6 percent on pretax, pre-interest operating margin, and by fourth quarter next year, should be contributing over 7 percent, with the former Begley and Peoples stores taking longer to reach those levels.

Rite Aid reported corporate revenues of $768.9 million for the second quarter ended Sept. 2, a 13.6-percent gain over the year-earlier $676.6 million. Net income rose 7 percent, to $20.3 million, from $18.9 million. Revenues in the drug store segment rose 13.7 percent, to $730.8 million, and net income increased to $18.5 million from $17.8 million in the comparable year-earlier period.

Alex Grass answered a question about the current generic drug controversy by saying Rite Aid had not seen a measurable dropoff in the use of generic drugs, which represent about 30 percent of prescriptions filled by Rite Aid pharmacists, and that any effects would be temporary. "The fact is, generics are much less expensive, and many third-party plans mandate the use of generics."

Bergen's fiscal '89 sees sales, earnings growth

ORANGE, Calif. — Bergen Brunswig Drug Corp.'s results for fiscal year 1989, ended Aug. 31, saw net earnings of $47.6 million, a 28-percent increase from last year, on $3.92 billion in revenues, a 13-percent increase. Fourth-quarter earnings were $10.7 million, a 13-percent increase from last year's period, with $997.8 million in revenues posted, an 11-percent increase over the wholesaler's figure for last year.

Cardinal's 2nd-qtr. net, sales post healthy gains

DUBLIN, Ohio — Cardinal Distribution's net earnings rose 53 percent and net sales 28 percent in the second quarter ended Sept. 30. Net earnings were $2.8 million on net sales of $210.2 million. For the year-earlier quarter, net earnings were $1.8 million on net sales of $164.4 million. Cardinal closed its smallest distribution center, in Albany, N.Y., in September, and transferred its volume to a new DC near Hartford, Conn.

Durr-Fillauer sees gains in net, revenue for 3rd qtr.

MONTGOMERY, Ala. — Durr-Fillauer Medical, Inc., the wholesaler based here, reported net income for the third quarter ended Sept. 30 of $3.8 million, up from $3.4 million reported last year. The gain came on revenues of $172.0 million, up from $148.3 million reported last year.

MARKET DIARY:

Largest Dollar Gainer	Baxter International	$ 0.38
Largest Dollar Loser	American Stores	$– 8.38
Largest Percentage Gainer	Zenith Labs	43.69%
Largest Percentage Loser	Moore Medical	–23.76%

Advances	4
Declines	53
Unchanged	0
New highs	4
New lows	4

	Close 10/10/89	Close 10/24/89	Net Change	Percent Change
Drug Store News Index	3015.03	2867.13	–147.90	–4.91
Dow Jones Industrial Average	2785.33	2659.22	–126.11	–4.53
Standard & Poor's 500-Stock Index	359.13	343.70	– 15.43	–4.30
N.Y.S.E. Composite	199.00	190.05	– 8.95	–4.50
Value Line Index	278.24	288.81	10.57	3.80

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/10/89	Closing Price 10/24/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	21.75	18.75	–3.00	–13.79	23	0.16	0.85	24.75	8.00
OTC	Big B	BIGB	14.38	12.75	–1.63	–11.30	16	0.16	1.25	15.25	10.63
OTC	Drug Emporium	DEMP	12.63	10.63	–2.00	–15.84	18	0.05	0.47	16.38	6.38
NYS	Fay's Inc.	FAY	12.88	12.13	–0.75	– 5.83	17	0.20	1.65	15.00	8.63
ASE	Genovese Drug	GDX.A	11.25	10.63	–0.63	– 5.56	16	0.24	2.26	12.88	8.75
OTC	Leroy Pharmacies	LERY	4.63	4.50	–0.13	– 2.70	—	0.00	0.00	5.50	4.38
NYS	Longs Drug Stores	LDG	44.75	41.88	–2.88	– 6.42	16	0.96	2.29	46.00	33.63
OTC	Medicine Shoppe (H)	MSII	32.25	31.75	–0.50	– 1.55	25	0.10	0.31	34.50	20.25
NYS	Perry Drug	PDS	9.88	8.63	–1.25	–12.66	247	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp.	RAD	40.88	38.88	–2.00	– 4.89	18	0.82	2.11	41.13	29.13
NYS	Walgreen Co.	WAG	48.25	43.63	–4.63	– 9.59	19	0.68	1.56	50.25	29.63
Wholesaler's transactions											
OTC	Alco Health Services (L)	AAHS	22.75	18.75	–4.00	–17.58	16	0.00	0.00	30.38	18.25
ASE	Bergen Brunswig	BBC	26.88	26.00	–0.88	– 3.26	15	0.32	1.23	27.25	15.70
OTC	Bindley Western Ind.	BIND	10.38	9.25	–1.13	–10.84	20	0.00	0.00	10.63	6.63
OTC	Cardinal Distribution	CDIC	22.50	20.63	–1.88	– 8.33	18	0.08	0.39	22.50	12.75
OTC	Durr-Fillauer	DUFM	22.25	19.63	–2.63	–11.80	22	0.24	1.22	23.25	15.38
ASE	Ketchum	KCH	4.63	4.50	–0.13	– 2.70	d	0.00	0.00	7.63	4.38
NYS	McKesson Corp.	MCK	37.38	35.50	–1.88	– 5.02	16	1.44	4.06	39.75	29.63
ASE	Moore Medical	MMD	12.63	9.63	–3.00	–23.76	d	0.00	0.00	15.63	9.00
NYS	Owens & Minor	OMI	11.88	11.38	–0.50	– 4.21	19	0.26	2.29	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	68.13	67.00	–1.13	– 1.65	19	1.40	2.09	68.50	44.13
NYS	American Home Products	AHP	106.63	103.88	–2.75	– 2.58	16	3.90	3.75	107.25	76.38
NYS	Baxter International	BAX	23.38	23.75	0.38	1.60	17	0.56	2.36	24.38	16.25
OTC	Block Drugs Co.	BLOCA	37.00	36.50	–0.50	– 1.35	14	0.64	1.75	38.50	30.25
ASE	Bolar Pharmaceutical (L)	BLR	19.50	15.00	–4.50	–23.08	12	0.04	0.27	32.25	14.13
NYS	Bristol-Myers Squibb (H)	BMY	54.50	52.25	–2.25	– 4.13	18	2.00	3.83	55.00	41.38
NYS	Carter-Wallace (H)	CAR	56.63	56.50	–0.13	– 0.22	18	0.82	1.45	57.25	38.13
ASE	Forest Labs	FRX	40.00	38.88	–1.13	– 2.81	33	0.00	0.00	40.38	21.63
ASE	Halsey Drug	HDG	6.13	5.88	–0.25	– 4.08	20	0.00	0.00	7.38	1.88
NYS	ICN Pharmaceutical (L)	ICN	6.00	5.38	–0.63	–10.42	67	0.00	0.00	7.25	5.38
ASE	Lee Pharmaceutical	LPH	3.00	2.88	–0.13	– 4.17	d	0.00	0.00	5.38	2.75
ASE	Leiner P. Nutrition	PLI	20.63	20.00	–0.63	– 3.03	17	0.00	0.00	21.38	10.00
NYS	Lilly Eli Co.	LLY	65.75	64.00	–1.75	– 2.66	22	1.35	2.11	66.25	42.25
NYS	Marion Labs	MKC	34.63	33.75	–0.88	– 2.53	24	0.36	1.07	36.50	16.75
NYS	Merck Co.	MRK	77.75	77.88	0.13	0.16	23	1.80	2.31	78.00	53.50
NYS	Mylan Labs	MYL	20.25	18.88	–1.38	– 6.79	47	0.10	0.53	20.63	7.50
OTC	Newport Pharmaceutical	NWPH	4.44	4.06	–0.38	– 8.45	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.50	5.63	0.13	2.27	10	0.04	0.71	12.50	3.88
NYS	Pfizer Inc.	PFE	68.63	67.50	–1.13	– 1.64	16	2.20	3.26	70.75	54.00
NYS	Robins, A.H.	RAH	34.88	33.25	–1.63	– 4.66	16	0.00	0.00	35.00	21.88
NYS	Rorer Group	ROR	44.50	41.75	–2.75	– 6.18	22	0.80	1.92	48.25	36.13
NYS	Schering Plough	SGP	78.50	73.50	–5.00	– 6.37	20	1.80	2.45	79.63	52.50
NYS	Syntex Corp.	SYN	47.25	44.00	–3.25	– 6.88	18	1.50	3.41	54.50	36.50
NYS	Thiokol Inc.	TKC	15.25	13.88	–1.38	– 9.02	17	0.30	2.16	125.00	12.38
NYS	Upjohn Co.	UPJ	39.38	37.88	–1.50	– 3.81	20	1.00	2.64	42.13	27.00
NYS	Warner-Lambert	WLA	115.50	108.88	–6.63	– 5.74	21	2.56	2.35	116.00	70.75
NYS	Zenith Labs	ZEN	0.44	0.63	0.19	42.69	d	0.00	0.00	2.75	0.38
Other retailer transactions											
NYS	Albertson's (H)	ABS	59.75	58.75	–1.00	– 1.67	22	0.80	1.36	60.25	32.75
NYS	American Stores	ASC	64.63	56.25	–8.38	–12.96	28	1.00	1.78	72.50	51.50
NYS	Giant Food	GFS.A	30.88	28.88	–2.00	– 6.48	18	0.50	1.73	36.25	21.00
NYS	K-Mart (L)	KM	38.50	34.63	–3.88	–10.06	10	1.64	4.74	44.88	33.50
NYS	Kroger	KR	18.50	16.88	–1.63	– 8.78	d	0.00	0.00	19.75	8.25
NYS	Melville Corp.	MES	52.00	50.38	–1.63	– 3.13	16	1.30	2.58	53.63	34.38
OTC	Fred Meyer	MEYR	21.63	19.50	–2.13	– 9.83	16	0.00	0.00	23.00	14.25
NYS	Penney, JC	JCP	68.00	64.63	–3.38	– 4.96	11	2.24	3.47	68.75	50.38
NYS	Smith's Food & Drug	SFD	24.63	21.88	–2.75	–11.17	23	0.20	0.91	25.00	20.50
NYS	Wal-Mart	WMT	43.75	43.00	–0.75	– 1.71	27	0.22	0.51	44.00	29.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Note: Scherer R.P. Corp. was acquired by Shearson Lehman Hutton and has been removed from our list accordingly.
Source: Nordby International, Inc., Boulder, Colorado

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Vol. 11, No. 21 Nov. 6, 1989

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DRUG STORE NEWS

Vol. 11/No. 22 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Nov. 20, 1989

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OF WEEK
ATURES

1989 REX Awards dinner cruise

Complete photo coverage of the 1989 REX Awards dinner cruise honoring retailing excellence in the drug industry. **Page 15**

Retailers tapping 'modern mature'

Drug retailers are launching marketing programs in hopes of staking a claim to the rapidly growing 50-plus age group. **Pages 9, 12, IP1.**

LATE NEWS

- WILLOWDALE, Ont. — Shoppers Drug Mart chairman and ceo David Bloom is spearheading the forming of the Canadian Association of Chain Drug Stores, a trade group.
- SALT LAKE CITY — American Stores said it will sell about 13 Northern California Alpha Beta stores, with the remaining 23 integrated into Lucky Stores' operations, in an agreement with the state's attorney general's office that "has no effect" on a case before the U.S. Supreme Court on merging Lucky's and Alpha Beta's Southern California units.
- SAN FRANCISCO — Joseph Polastri, McKesson Drug's president, adds to his business card the title of vice president of parent McKesson Corp.
- ALEXANDRIA, Va. — Peoples named Peter Hill vp-information systems and Sam Dacharux, vp-distribution with the departures of Chuck Sonnenberg, exec. vp-IS, Fred Goepfert, vp-systems development, and Wilson Lester, exec. vp-distribution.

Revco draws takeover interest

By James Frederick

TWINSBURG, Ohio — Revco D.S. is beginning to look like a choice takeover prospect to some investment groups as it works its way back to health under Chapter 11 protection. The company has already received one unofficial takeover offer from Acadia Partners, L.P. and the Robert M. Bass Group, and reportedly is generating interest from other parties.

Acadia, which is controlled by the Texas-based Bass Group, sent a letter to Revco in mid-October expressing an interest in acquiring the chain "pursuant to a confirmed plan of reorganization in Revco's pending Chapter 11 bankruptcy case." The offer is valued at $925 million, but would add more debt to Revco's already burdened balance sheet through a new junk bond offer and the restructuring of old debts.

Acadia already owns a controlling interest in Indianapolis-based Reliable Drug Stores, a former division of Peoples, and a major stake in two former Safeway divisions in the Southwest.

Specifically, Acadia proposed to pour $150 million in cash into Revco and issue $260 million in new debt for the purchase, resulting in approximately $410 million to be used for cash payments to creditors and interest holders. The deal also calls for the reinstatement of $515 million in debt securities "directly with creditors," according to Revco.

Revco officials and bondholders reacted to the offer warily. For Revco, the Bass deal means the chain would emerge from bankruptcy still carrying a big debt load.

"We have many questions about this," said Revco spokesperson Kathy Obert.

Revco chairman and chief executive Boake Sells was out of town and

See **Revco** *page 29*

Thrift experiments with self-serve food in high-traffic store

MONROEVILLE, Pa.— Thrift Drug is experimenting with a self-service snack shop in one drug store here.

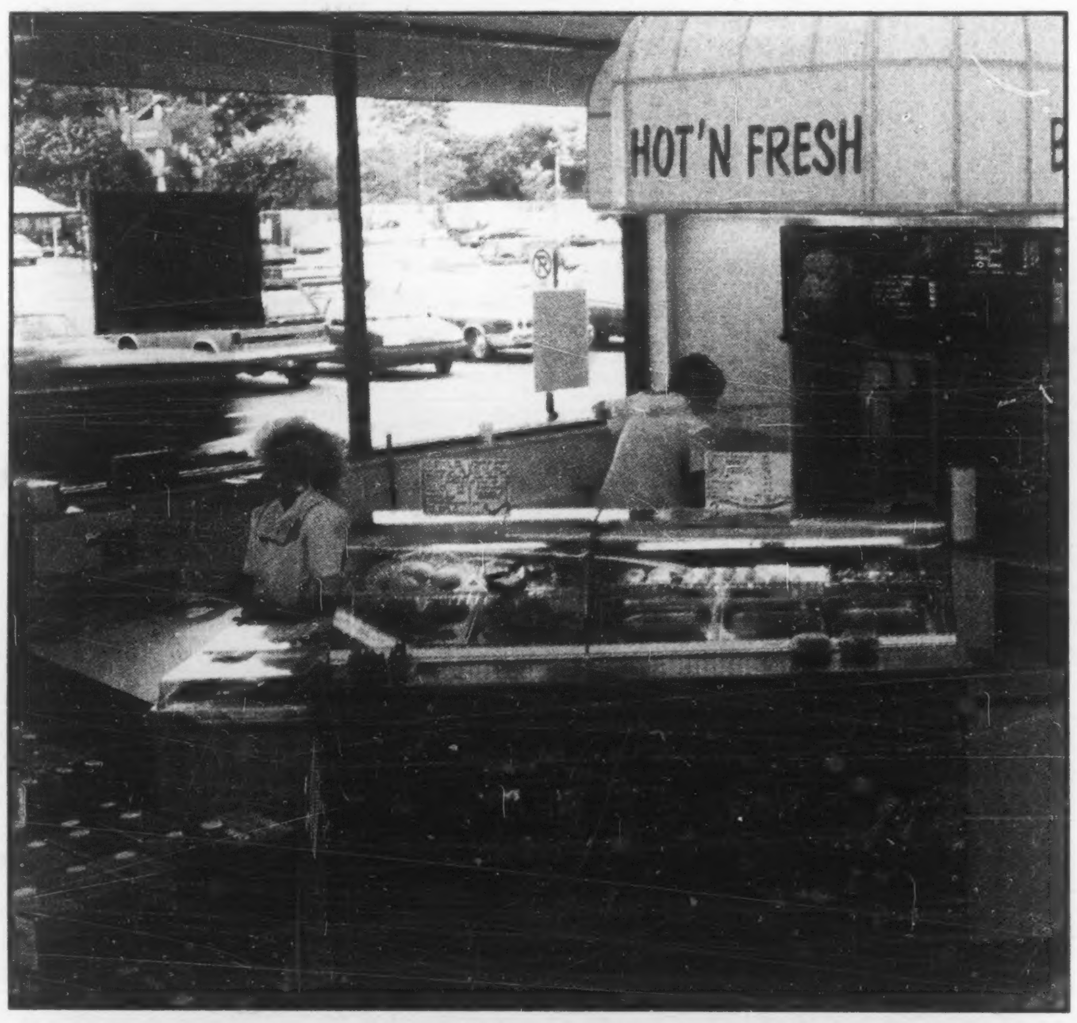
The 600-square foot shop includes a self-serve frozen yogurt machine, a self-serve beverage bar with hot dogs, coffee maker, and post-mix soft drinks, and a convection oven with a showcase for breakfast products, pizza and chicken.

"It goes back to the fountain days," said Rich Johnson, Thrift vp-facilities, planning and construction, who noted that Thrift will likely introduce some of the shop's features into at least one other store soon, following three months of observing this initial setup.

Like many drug chains, Thrift has added convenience food sections in selected stores. The self-service angle is a new twist for Thrift. Johnson said the department has been successful, generating mostly incremental sales in the high-traffic store. Besides being a 24-hour store, it is well located along major commuter roads in this densely populated Pittsburgh suburb.

"Putting this in a store that doesn't have heavy traffic

See **Thrift** *page 29*



Thrift is testing food with a twist: self-service and a hot foods showcase that is building incremental sales.

Ex-Dart execs rebut Labor Dept. charges

WASHINGTON, D.C. — Two former Dart Drug Stores officers, charged by the U.S. Department of Labor with misusing a company profit-sharing plan, have responded that they invested the funds fairly following a blueprint by Dart Group officers who were selling the company to its employees.

Hansbrough

Al Towle and Stephen Hansbrough contend that the company's profit-sharing plan paid a fair price for Dart stock when investing in the 1984 $160 million leveraged buyout, which was largely debt-driven, according to papers filed in U.S. District Court here.

Towle

The two defendants, charged with violating the Employee Retirement Income Security Act (ERISA), which governs private benefits plans, also said they weren't fiduciaries of the plan as charged, but rather were administering a plan formed by the Dart Group.

"The Dart Group. . . caused the Dart [employee profit sharing] Plan to be established. . . for

See **Dart** *page 29*

50 Health Marts planned for Greater Chicago area

CHICAGO — Health Mart, FoxMeyer's franchise program, signed a letter of intent to convert 25 Family Drug franchises to Health Mart stores in the Greater Chicago market.

The conversion, with closings expected by year's end and grand openings anticipated next spring, will bring to 35 the number of Health Marts here. The Windy City is the nation's second-largest market in drug store sales, having reached $2 billion in this fast-growth market last year.

Michael Webster, president of Health Mart, predicted that 50 Health Mart franchise agreements in Chicagoland may be signed by year-end.

"The pharmacies participating in the program will receive a customized store layout, with our red, white and blue interior and exterior signage," Webster said. They'll also get an integrated advertising, merchandising and pricing plan, and an aggressive private

See **Health Mart** *page 29*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Arbor opening five units in November

TROY, Mich. — Arbor Drugs will boost store count to 92 units with the opening of five new drug stores this month in Southeastern Michigan. The openings include the first of several units Arbor plans to put into the Saginaw-Bay City-Midland Tri-City market north of Detroit.

The other four stores are in Ann Arbor, Chelsea and Mt. Clemens.

By the mid-1990s, the chain plans to have 150 stores in Michigan.

"Our experience, as well as our research, confirms that the metropolitan Detroit market can support a substantially greater number of Arbor drug stores," noted Arbor chairman and chief executive Eugene Applebaum. "In the most densely populated areas, we are able to operate multiple, high-volume stores which are located just five minutes apart.

"Convenience-oriented shoppers," he added, "today are more apt to measure the time it takes to drive to a store than they are the actual mileage to it."

Bergen's Good Neighbor ads get raves

ORANGE, Calif. — The launch of national cable television advertising spots to support its Good Neighbor Pharmacy program is generating positive feedback from stores and customers for wholesaler Bergen Brunswig.

Tom Allison, vp-merchandising, said that about 150 new stores have joined the voluntary, since the campaign, which began Sept. 1, was announced in July: "There has been a definite upsurge in the program during the last three months."

The commercials are running on a two-week-on and two-week-off schedule through the end of the year on such shows as "Health Week" and "Nutritional News." Allison said Bergen will probably continue the campaign in 1990.

Douglas names Robinson, Haronian vps

PROVIDENCE, R.I. — Douglas Drug has named Michael D. Robinson its new vice president of finance, replacing Rudolph Charpentier, who had been with the 16-store chain since 1980.

In addition, Kathleen Haronian has been promoted to vp-corporate development. The daughter of Douglas president John Haronian, she was formerly advertising coordinator.

Robinson was previously senior vp-cfo of American Tourister, the luggage company based in Warren, R.I.

Jacob Schein dead at 49

Schein

POUND RIDGE, N.Y. — Jacob M. Schein, chairman and ceo of Henry Schein Inc., Schein Pharmaceutical and their subsidiaries, died at home of cancer Nov. 4 at age 49.

The Schein Group of Companies, which he headed, is a privately held organization with two major components: Henry Schein Inc. and its subsidiary, Zahn Dental Co., and Schein Pharmaceutical and its subsidiaries, Danbury Pharmacal and Steris Laboratories.

Schein was a founding member of the board of directors of the Orphan Drug Foundation and was active in the American Dental Trade Association, the Dental Manufacturers' Association and the Generic Pharmaceutical Industry Association. He also was a trustee of Alfred University, of which he was a graduate.

Jean Coutu's conversion of Cloutiers under way

LONGUEIL, Québec — The Jean Coutu Group (PJC) has reached the final stages of its takeover of much of the Cloutier drug store group from Metro Richelieu, with eight former Cloutier units already under the Coutu banner and four others closed.

Coutu agreed late last summer to purchase 15 of 22 Cloutier drug stores from Metro, including all the Cloutier units in the metro Montreal market. The takeover eliminated another chain drug competitor from Montreal — Shoppers Drug Mart had pulled out earlier in the decade — and boosted Coutu's dominance in the metro market, especially in Montreal's northern suburbs.

All 15 Cloutier stores were franchise operations, and those that remain open have been turned over to original or new franchisees under Coutu. The chain is close to reaching an agreement with two holdouts who balked at the original takeover deal, said Francois Jean Coutu, executive vp-pharmacy. "We expect to convert those two stores in the next month or so," he said. "Eight of the 10 full-line drug stores we kept open have already been converted to the Jean Coutu logo."

A clinic pharmacy was also among the 15 Cloutiers purchased from Metro.

The chain will probably wait until after Christmas to completely overhaul the former Cloutier stores. "Some of the product mix was quite different from ours, and we have to readjust," said Coutu.

Greater POP use planned by retailers: study

NEW YORK — POPAI (Point-of-Purchase Advertising Institute) unveiled the first results of its two-part study, "Retailer Attitudes on POP," during the institute's Marketplace '89 trade show in New York recently.

The study covers seven classes of trade nationwide, and the first phase zeros in on chain drug stores, convenience stores, mass merchandisers and the automotive aftermarket. The second part, on supermarket, package-goods and home center classes of trade, will be completed early next year, said John M. Kawula, POPAI president.

In-person interviews were conducted with store managers and headquarters executives of key chains, with the aim of gaining a broad picture of their attitudes toward POP advertising. The interviewing was done by The Ehrhart-Babic Group of Englewood Cliffs, N.J.

For the drug chain segment, 145 store-level managers and 25 headquarters executives were interviewed. Here are some highlights of the drug chain findings:

- Eight out of 10 drug chain execs and store managers use the same amount or more POP compared to two years ago.
- Eighty-six percent of execs and 92 percent of managers said they'll use the same amount or more POP in the future.

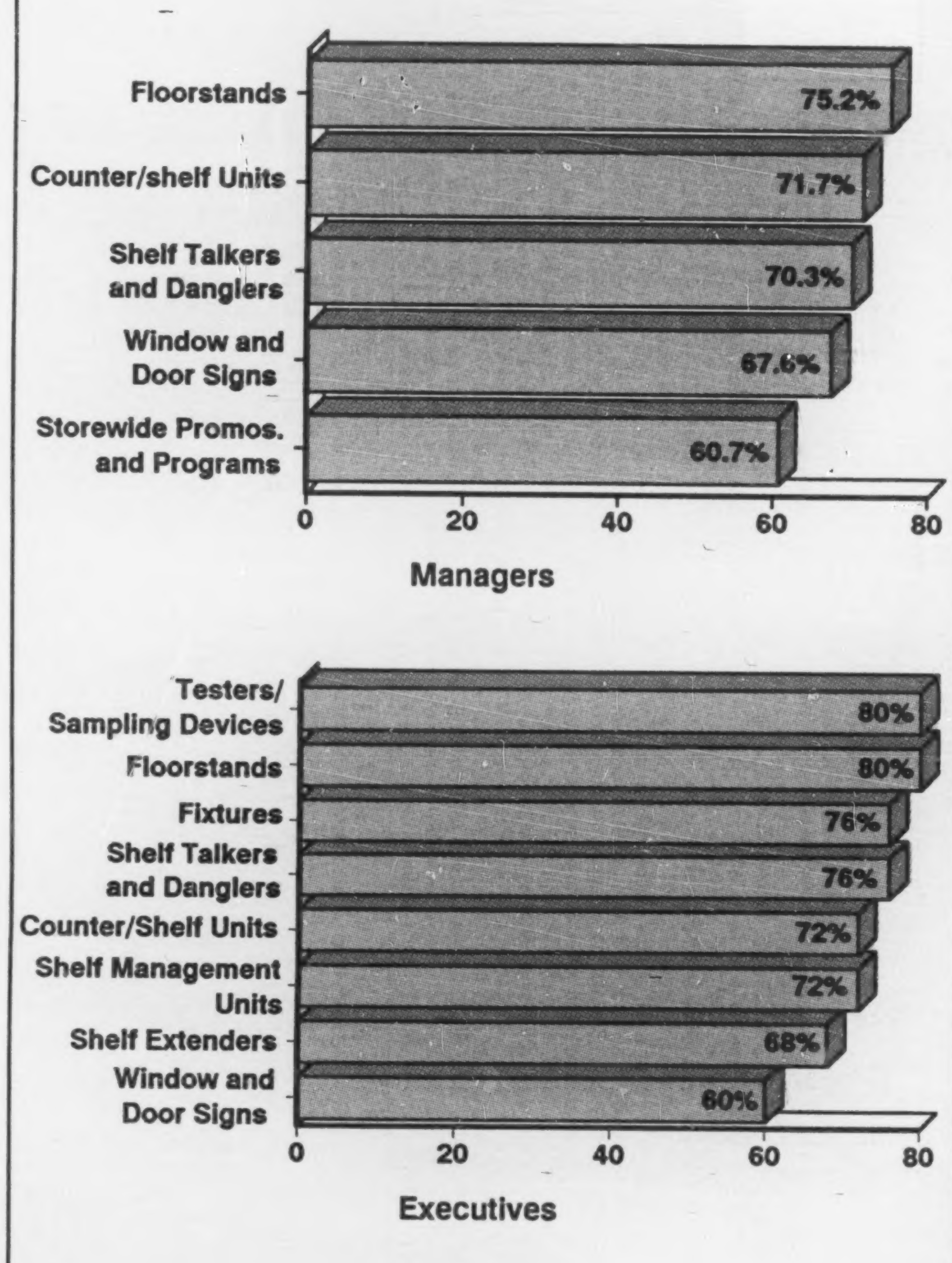
Eighty-six percent of execs and 92 percent of managers said they'd use the same or more POP in the future.

- Nine out of 10 execs and managers said POP is "extremely," "very" or "somewhat" effective in boosting sales and attracting attention.
- More than half of the managers and 76 percent of the executives answered yes when asked, "Have you ever used interactive displays?" Interactive cosmetics displays were cited most often by managers, and second most often by executives, as effective in moving product. The largest percentage of HQ execs cited explaining product/providing information as an advantage of interactive displays.
- Of execs who said they had not used video displays, half said they "might not use" them in the future, and half said they "probably would not." (Among managers, the reponse was 29.4 percent and 41.2 percent, respectively.)
- Almost all managers and execs said they use POP for new products, with more than two-thirds of each respondent group indicating POP works better with new products than with established ones.
- The most popular form of display among managers was floorstands; among executives, floorstands and testers/sampling devices. Counter/shelf units and shelf talkers/danglers also got high ratings among both groups. [*See chart.*]
- Asked how manufacturers and suppliers of POP signs and displays can better meet drug stores operators' needs, the highest percentage of both groups — 60 percent of executives and 20 percent of managers — said by downsizing and varying display size.

Other improvements suggested most often: Improve field support and rep follow-up (36.0 percent of execs, 11.7 percent of managers), improve display construction (28.0 percent of execs, 14.5 percent of managers), improve communication (advance notice on shipments of display and product and advertising campaigns) and improve displays visually (16.0 percent of execs, 13.1 percent of managers).

For more information, write POPAI, 66 N. Brunt St., Englewood, N.J. 07631.

Most Popular Forms of POP
(Chain drug stores)



(Source: Point-of-Purchase Advertising Institute)

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OPINION

Lean & mean team drives Reliable

IN THE MARKET
BRUCE BUCKLEY

At Reliable Drug's dinner for vendors last month in Indianapolis, Roger Grass referred in a light moment to his crew of "100-hour executives." He meant the amount of time his "lean and mean" management team puts in every week. At 8 o'clock the next morning at headquarters, it became obvious that Reliable's new chief executive hadn't been exaggerating — at least not by much. Business had been going full blast for at least an hour. The impression: someone had been feeding these people rocket fuel.

Since last March when Roger Grass learned that his former company, Rite Aid, had passed on the chance to buy Peoples' Midwest operation, Grass' quest to acquire and recast the 115-store Indianapolis-based former Haag chain has been going on at, well, Indy 500 speed.

At the dinner Roger spoke almost nostalgically about the seemingly endless car trips that he and Chuck Conaway, now executive vp, made from Harrisburg to New York to arrange financing for the deal. Roger, 33, and Chuck, 29, ate a lot of late-night pizza and Häagen-Dazs to sustain their energy levels during the long months of uncertainty and stress.

Eventually they succeeded in lining up the needed support: $15 million in equity financing from Acadia Partners (the same Robert Bass-led group that has now made an offer for Revco) and $50.7 million in loans from the Bank of America.

Since the acquisition early this summer, the new venture has been moving at a blurring pace. Debt is rapidly disappearing. At the dinner, Grass announced that almost $18 million in bank debt had already been repaid. By February the debt will be whittled down to less than $15 million, he promised.

While the stores still carry the Peoples logo and some of the same merchandise (the $60 million sale price included some $58 million in inventory), a lot of changes have been quietly taking place that will eventually result in a complete makeover at the chain. Here are some:

Roger Grass (center) and Chuck Conaway greet vendor.

- A new everyday low-pricing policy has an added wrinkle: a "bonus buy" program that uses deal buying to create deep discount-like super specials. Prices on hundreds of prescription items have been reduced.
- Every department in the store is being replanogrammed. Thousands of items are being cut as Reliable pares down its selection to 12,000 SKUs, heavily weighted to core drug categories. Inventory will be reduced to about half of the total under Peoples, as the chain aims to rev up its turns.
- New automated systems are being introduced. In pharmacy, where a great deal of emphasis is being placed, Reliable introduced the Condor Rx computer system chainwide. Through PCS, on-line third-party adjudication has been added. Reliable is pursuing third-party aggressively, so management is seeking to handle that low-calorie profit business as efficiently as possible.
- Reliable's stores are in good shape, the result of a heavy investment by Peoples. Leases average nine years (with options to 14). Many stores will be downsized to conform to a smaller Reliable prototype.
- A partly automated, 250,000-square-foot distribution center is capable of servicing twice Reliable's current store base without even adding a second shift.

Reliable Drug will emerge fully remade sometime after the new year breaks. It will be doing business in some of the most competitive markets in the country. The guess here is that the youthful energy that has carried Grass and his team this far is going to create some real sparks in the Midwest.

Fiscal plays killing off entrepreneurship?

THE HUMAN SIDE
AL HELLER

Entrepreneurship, the heart of American retailing, is being pummeled today by the greater muscle of takeovers and leveraged buyouts, fed by high-risk debt.

The most graphic example of their impact on the chain drug industry was tendered recently by Alex Grass, chairman of Rite Aid, when he declared there is less competition for acquisitions and store sites today than at any time in the company's history.

Restructurings and LBOs, often done as takeover defenses, continue to hinder retailers from expanding aggressively; managers concentrate instead on running their businesses to pay down debt.

This is truly a bonanza for Rite Aid, which has grown 57 percent since early 1987 by stepping in where others can't, but indeed marks a disturbing trend of low growth for the industry. Had Rite Aid, for example, been pressed by competitors to build new stores in order to grow, that would mean plus-growth for the trade.

So, entrepreneurship barely has a pulse because accountants, rather than people with gusto for building businesses, are in prominent positions today. The days are over when the Skaggs family could develop the Skaggs and Sav-on chains without fear of being swallowed, or on a smaller scale, when Nat Lipsyc and Gerald Zlotnik could grow Medic Discount in Cleveland, despite an abhorrent business climate there in the 1970s.

The Hafts played a large role in setting this tone. The mayhem they created when pursuing Supermarkets General, Kroger and Safeway has altered the emphasis of management at possible target companies — those with strong balance sheets or valuable real estate. Their takeover attempts prompted massive breakups of companies, derailed careers and shattered the growth dreams of many who labored decades to build their businesses.

One ranking Supermarkets General executive told *Drug Store News* not long ago that the food-drug retailer would be far stronger today had it not been forced to engage in the battle for ownership.

Managing with one eye over your shoulder can't be as effective as making legitimate and sensible moves to grow one's chain.

Many innocent people get hurt, not the least stockholders, whose investments are affected by defensive management practices or by steps that are publicly taken to "enhance shareholder value." These steps typically enhance value just enough to keep shareholders quiet.

For example, the managers of company XYZ decide to undertake an LBO, and offer stockholders a $15 premium per share. Outsider ABC tops that offer by $20. XYZ managers ultimately beat ABC's offer by another $10.

What happened here? XYZ managers sought to "enhance shareholder value" by $15 when they recognized it deserved to be enhanced by $45; they would pocket the difference. Then they pay by floating high-risk bonds. It's beautiful, if they can get away with it.

Today's lack of entrepreneurship is a clot in the circulatory system of the drug trade, leaving it vulnerable to encroachment by other trade classes on its core health care businesses.

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INSIDE PHARMACY
PHARMACIST EDITION

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Buying groups seek a new role as growth ebbs

By David Vaczek

When Bill Robinson, owner of Oakland Pharmacy, Oakland, Iowa, joined the PACE buying group in 1985, he realized "terrific" savings on his cost of goods. In the past, Robinson bought from drug wholesalers McPike and Brown and was a member of Alco Health's Family Independent Pharmacy voluntary program.

BUYING GROUPS '90

PACE, however, was different. PACE (reformed as PACE-ALLIANCE in 1987 and owned by 16 state pharmacy associations), was shopping generic drug vendors for the best prices for its members.

Dennis Meyers, co-owner of Crandall's, a successful two-store Phoenix independent, won't join a buying group, or United Drug, the cooperative based here. Meyers feels loyal to his wholesaler, Bergen Brunswig, and doesn't want to switch to McKesson, required by United. Also, Crandall's doesn't want to be forced to car-

Continued on page IP9

Inside

FEATURES

Some drug stores no longer think of themselves as retailers catering to the sick as many embrace 'wellness.' 25

27 *Orlando, Fla., was the setting for this year's NWDA Annual Meeting. Inside is a full page of photo coverage.*

Though not quite the McDonald's of drug stores, Medicap shows a drive-thru Rx window in its new prototype. 30

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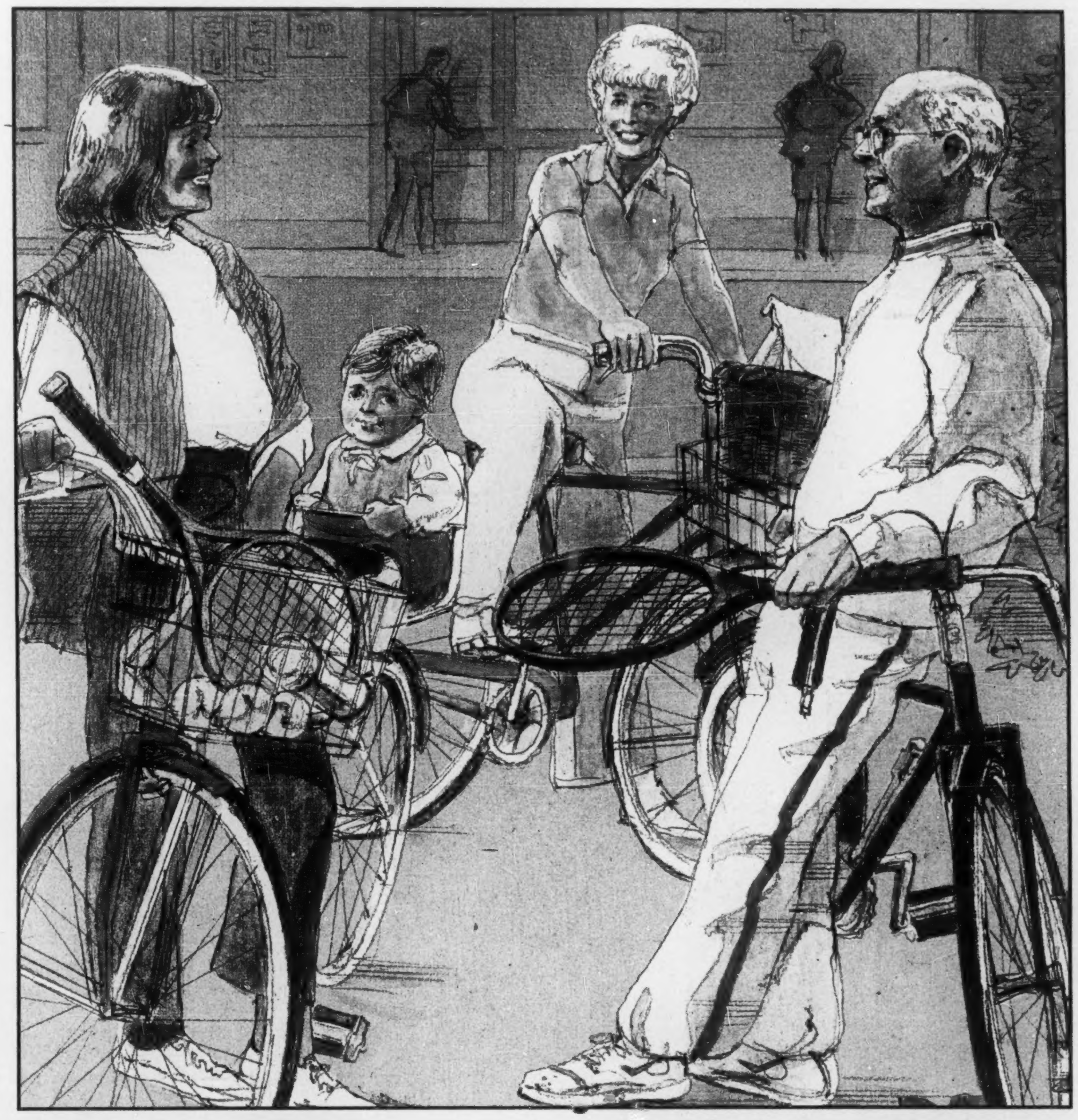

Retailers set sights on modern mature

By Christine Bizzarro and Elizabeth Richardson

Over the next decade, the 50-plus age group will grow by 18.5 percent, to 76 million people. Drug retailers, anxious to carve a piece of this market for themselves, have already begun staking a claim by launching marketing programs aimed directly at the emerging "modern mature."

The modern mature, unsaddled by a sedentary image, lead active, productive lives. As a group they are becoming increasingly concerned about health issues and the prolonging of youth — attitudes held over from their 1950s "baby boomer" generation. They account for 40 percent of total U.S. consumer demand, and with their $800 billion combined annual income, control 51 percent of the country's discretionary income.

According to Duff and Phelps, Inc., a Chicago-based investment research and financial consulting firm, this group is important to the future of the retail drug industry.

Continued on page IP15

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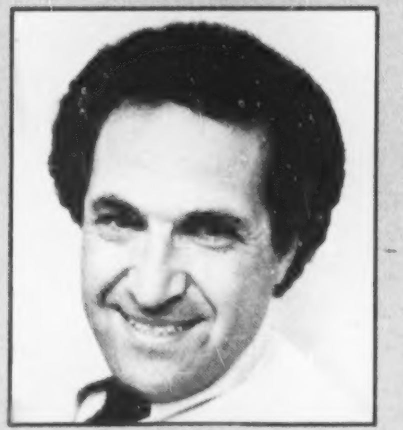
George has the write stuff

By now, many of you who are faithful readers of this column are probably a little tired of my beating up on retail pharmacists who don't provide the kind of customer service that will catapult them above their competitors. I've been told by many that it's just plain common sense to offer the highest degree of service delivered in the most courteous manner. You think it's common sense? Well, so did I. But I recently experienced a level of service from a major corporation that could really do a business in.

The incident took place at a national pharmacy conference being held at a major hotel chain. I rented a car during my stay and had the car valet parked. One day after returning to my room, I realized I left my camera in the back seat of the car. I went downstairs and asked valet parking to get my car. Well, you guessed it, the camera was gone. I filed the necessary security reports and the next day I went to see the general manager of the hotel. Since I needed the camera to cover the convention, I wanted to see if some kind of arrangement could be worked out to rent me a camera for the next couple of days.


COHEN'S CAPSULES
HAROLD COHEN

As I entered the executive suites, I was met by a receptionist to whom I told my dilemma. She told me she would send out the general manager's secretary. I politely said I wanted to speak to him myself. By this time, I was getting a bit hot under the collar. To my surprise, I didn't even get to speak to the general manager's secretary, instead the director of security came out. All we accomplished was rehashing the report I gave the night before. He said he had no authority to do anything else.

Disgust follows

I left disgusted. I took revenge in a letter to the chain's president. That seemed to get attention. But, in retrospect, all of the letter writing and apologies by the company could have been avoided if the general manager had just taken five minutes of his time to talk to a disturbed customer about an embarassing problem (after all, the camera *was* stolen from a car that was valet parked by the hotel staff). For a moment it kind of reminded me of pharmacists who are just too busy filling prescriptions to come from behind the counter to talk to a customer with a problem, minor or otherwise.

Well, while my camera story may not have a happy ending, when I returned to my office and started going through my mail, I came across a newsletter from Scharringhausen Pharmacy in Park Ridge, Ill. George Scharringhausen has been sending me his newsletter for some time now. I always read it, but this time I read it with a little more interest. I immediately compared how he treats his business to the way the hotel treated me. It's not a fancy newsletter, in fact, most of it is done on a regular typewriter. But it has a feeling of warmth that is difficult to explain in a column.

I called George to tell him how much I appreciated getting his newsletter, and he and his son Bill, who got on the extension phone when he heard I was calling, told me something interesting. The newsletter doesn't go to customers, it goes to health care professionals and "friends of the industry." It's not a slick piece of Madison Avenue art work but it works. It has nice little touches like a personal article about George and his family or some other member of the community. The one-page newsletter also has some information about new products, a cartoon, a joke or two and a poem. But most of all, it has Scharringhausen Pharmacy's charm.

Meet Myrt

I've never shopped in Sharringhausen, but from reading the newsletter, I have a pretty good idea of what it would be like. Other things that impress me are the fact that it highlights a separate phone number answered only by a pharmacist and an answering machine he fondly calls Myrt. "You remember the old radio show, Fibber McGee and Molly, don't you?," George asked me. "The operator's name was Myrt."

The banner features a hand-drawn show globe. It's titled *Secundum Artem* and it says it's "published PRN by Scharringhausen Pharmacy, Park Ridge's Prescription Pharmacy for over 62 years." The 62 is crossed out and handwritten on top of it is "65." Those who retort they don't have the time or money to put out a newsletter should take a lesson from George. Here's the best part. George told me he's been putting out a newsletter for the past 34 years.

Oh, by the way, George, who is now 84, goes to work every day. If you ask me, I'd say George has the write stuff. Thanks George.

My way of thinking. . .

"My Way of Thinking" is intended to give responsible members of the health care community a professional forum to air their views on crucial issues confronting pharmacy today. Presentations should be no longer than 500 words and may be edited for space requirements. Interested participants should mail their presentations to Harold Cohen, Editor, Inside Pharmacy, 425 Park Avenue, New York, N.Y., 10022. Articles will be chosen and published at the editor's discretion.

In your Cohen's Capsules of May 1, you said that we should "settle on a workable and pure AWP so that every facet of retail pharmacy can play on the same playing field." Pharmacy *is* playing on the same playing field as insurance companies or third-party administrators, but they never give us a chance at bat!

The only reason that pharmacies resort to using generic products with high AWPs and low actual costs is because the dispensing fees are never increased. So, when we use a high-AWP generic, we are now getting a chance to bat. But then when the union realizes this, and they drop the reimbursement level, they take away our bat.

Other ways, besides the above, of increasing margins on prescriptions is joining a buying group to get contract prices from manufacturers and a bigger discount from wholesalers. But then, PCS or the union will take 10 percent off or want actual acquisition cost! Why should we give anybody this extra profit? Did they earn it?

When your back is to the wall, you improvise to survive. Without that extra discount to pharmacies you cannot survive. . . chain or independent. Don't third-party administrators, unions and insurance companies realize this?

The insurance companies, unions and the like are playing games with retail pharmacies, so why can't we play games with them? They prevent the reimbursement levels from increasing, so we bill them for AWP plus a fee. That's the agreement. It doesn't matter if the AWP is $10.00 and the actual cost is $2.00.

Larry Hort
Sheffield Pharmacy
Schaumburg, Ill.

* * *

Here is a copy of a letter sent to the president of a pharmaceutical company on the issue of multi-tier pricing:

The program against physician's selling medication is designed to take away enough of the financial incentive so that the physician will eventually stop selling medications. At the very least, the program will put a dent into the profit motive. Frankly, I am sick and tired of being beat up on and I AM FIGHTING BACK.

Dear Mr. (president):

Taft Pharmacy is an independent pharmacy that has been in business for 20 years. We have been able to compete and grow despite competitive pressures arising from different areas because we offer service, convenience, competitive prices, etc.

As this point in time you can expect the increasing prospect of the demise of independent pharmacy in the United States. Frankly, sir, (name of company) will have been instrumental in increasing the likelihood of this occurrence.

To make an impact on (name of company), we have decided to hurt you where it hurts most, ECONOMICALLY. I shall ask my patients and their doctors to substitute (another company's) product for yours. (The other company) is not without evil, however, an evil lesser than yours [sic] as I perceive it. I have indicated my new policy to your excellent salesperson. . . and his district manager. . . . I can only indicate what I intend to do. Lest you think I am picking on only you, I have started a local program against physicians selling medications to their patients. Hopefully, that program will spread as more pharmacists become aware of it.

Your district and regional managers asked what (their company) can do? The answer is simple. Stop your practice of multi-tier pricing. If (name of company) can afford to sell (various products) at GREATLY reduced prices to bid groups then you can certainly afford to lower your prices for the benefit of the general American public.

Rubin Snyder
President
Taft Pharmacy

DRUG STORE NEWS®
INSIDE
PHARMACY
PHARMACIST EDITION

Buying groups give king-size clout to independent pharmacies

Continued from page IP1

ry United's commodity merchandise.

Retail pharmacy buying groups — during their past decade of rapid growth — have helped independent pharmacy members compete with the large chains.

As a result of the buying clout they offer to vendors and wholesalers, buying groups have allowed their small pharmacy members in many cases to purchase pharmaceuticals and OTC items at the same costs paid by the large chains.

"PACE had people out there trying to improve my acquisition price on generics," said Oakland Pharmacy's Robinson. He can now buy generics at 20-percent less than before. Robinson saved 1.5 percent, or $7,500, in the first year.

"I think the day has come when you literally have to be in somebody's buying group if you're going to remain in the marketplace and compete," Robinson says.

Others, like Crandall's, who resist joining buying groups, have benefited from the impact they've had on marketplace prices.

BUYING GROUPS '90

"We didn't want the dog food, fertilizer, and soda," says Meyers, whose stores are in Phoenix's upscale Camelback suburb.

Meyers won't even join Bergen's Good Neighbor Pharmacy voluntary program, calling it "more of the same," as he wants to be free to choose the merchandise and promotions for his store. Though he gains top prices on generics in Bergen's Source buying program, Meyers says service, and not price, is his customers' main concern.

Membership flat

Though buying groups have undeniably boosted independents' ability to compete with chains over the past decade, they're at a crossroads today, facing flat membership growth, and competition from drug wholesalers' and vendors' buying programs.

Of the nation's 32,000 independents, an estimated 6,000 to 7,000 belong to buying groups, say industry sources. Another 5,000 belong to wholesalers' voluntary programs (some of those belong to a buying group also), and several thousand more independents belong to co-ops.

Buying groups typically negotiate deals on two levels. They encourage generic drug and branded pharmaceutical suppliers with multi-source products to submit cost bids on items. Then they get the wholesaler to pass the savings through to the pharmacy. They also negotiate "cost-plus" contracts with the wholesaler, typically converging all the products it carries.

According to PACE ceo Benji Wyatt, by "bidding" generic and branded manufacturers, PACE can save members an average of 36 percent on generics in the first year.

On the wholesaler end, a decade ago it was customary for independents to pay cost plus 6 percent, while chains were paying cost plus 2 to 3 percent. PACE members today pay cost plus 2 percent, says Wyatt.

For an independent pharmacist buying $200,000 worth of product from a wholesaler, the savings might translate into $10,000 a year.

"Over the last few years it's become harder to show a big difference between our wholesale pricing and other programs the wholesaler has," says Dick Spears, head of the Pharmacy Buying Association (PBA), a 1,300-member Midwest buying group.

"They're buying on a wholesale level on a par with the chains," says Derek Hall, vp sales at McKesson Drug. "We've all reduced our costs of goods to the retailer groups and really gained, in some cases, not a lot."

But buying groups may have pushed as far as they can go.

For one thing, membership growth has flattened as those independents most needing the groups have already joined.

The largest groups with region-spanning membership — PACE, PBA, Pharmacy Provider Services Corp., owned by the Florida Pharmacy Association, and the California Pharmacists Association's Pharmaceutical Care Network (PCN) say member growth has slackened, or in PCN's case, stalled this year.

"The number of new sign-ups has definitely dropped down to about nil, and the number of new buying groups is zero this year," said Tony DeNicola, a co-founder of the Legend Pharmacy co-op, and now president of A&D Associates, a consulting firm to buying groups and wholesalers' voluntaries.

Competition heats up

Wholesalers and vendors have responded to the buying group low-price challenge by starting their own aggressive buying programs.

Mark Pulido, executive vp at FoxMeyer, said its three-year-old FoxGen generic buying program now services 5,000 indies and chains, and FoxMeyer recently launched Direct Source, providing discounts on the top 500 generic SKUs.

At Bergen Brunswig, the message is much the same. "We leverage all our customers and buying power to get the best possible price on generics," says Phil Engle, president. He agrees the buying groups have had an impact.

"It opened up our eyes to prices that were available to folks with much less buying power than we had," said Engle.

Meanwhile, independents face other alternatives to buying groups. Wholesalers' voluntary programs, and independent co-ops, such as Legend Pharmaceuticals and the New Jersey Pharmaceutical Association's Advantage co-op, are alternatives for small pharmacies desiring a common identity and marketing force.

Drug vendors such as Bristol-Myers' Squibb-Mark are chasing market share with a program that essentially competes with buying groups for independents' purchases.

Squibb-Mark launched Club Rx to market 300 generic SKUs (building to 525 by year's end) backed by Yellow Page, newspaper and in-store advertising and rebates, said Frank Stiefel, Squibb-Mark manager of trade affairs.

"The prices are proving to be highly competitive and without exception are falling under the federal MAC price lists," said Marty Lambert, ceo of RxNet, the National Association of Retail Druggist's (NARD) PSAO. RxNet has just started advertising Club Rx to its 15,000 members.

New relationships

Wholesalers' strong emphasis on their buying and selling programs today has inevitably drawn attention to the wholesaler/buying group relationship, which is sometimes uneasy, if also sometimes mutually beneficial.

"The irony is that the prime vendor [wholesaler] is our biggest asset; but in many cases we're put in the position of competing with our prime vendor," said PBA's Spears, who is also president of the Federation of Pharmacy Networks, a three-year-old association for buying groups.

The wholesaler, on the other hand, is trading profits for volume, in some cases, accepting lower costs in return for gaining new businesss, or to hold onto existing business. That's true at McKesson to some extent, where 12 of its top 30 customers are buying groups, accounting for 10 percent of volume, said Hall.

"We have to be very careful," said Hall, noting that a strong independent base has the potential to benefit all sides.

Member growth ebbs at major regional buying groups

Name	Number of members	12-month member growth	Wholesale volume (millions)	Use prime vendor	Owner	State(s) of operation
Pace-Alliance	2,203	4%	$250	yes	10 state Rx assocs.	Ark., Kan., Iowa, Colo., Neb., N.M., Minn., N.D., Ore., Ind.
Pharmacy Buying Assoc.	900-plus 400 affil.*	15%	$150	yes	65 indies	Mo., Kan., Iowa, Ill., Neb., Ark., Okla.
Pharmacy Provider Services Corp.**	2,000	5%	$300	yes	Fla. Pharm. Assoc.	Fla., Ky., Ill., Ga., Mass., Tenn., W.Va.
Pharmaceutical Care Network	1,600†	zero	$12††	no	Calif. Pharm. Assoc.	Calif.

*400 Oklahoma stores administer their own program with affiliation pact allowing access to PBA contracts.

**Buys for seven state groups: Kentucky Pharmacy Services Corp., MedSave (Ill.), Georgia Pharmaceutical Services, Massachusetts Retail Buying Group, Tennessee Pharmacy Care, Inc., West Virginia Pharmacists Association, Florida Pharmacy Association.

†Includes 650 new members from PCN's PSAO, who this year were offered buying group membership.

††Volume on contract items with vendors from 950 members. There are no contracts with prime vendor wholesalers.

Source: Individual buying groups, *Drug Store News* estimates.

Marketing programs keep groups afloat

How will buying groups stay appealing and continue collecting the retailer and wholesaler fees many do to make a profit and cover administrative costs?

They have to move from their original focus on generic drug buying to selling: creating marketing programs like those used by the co-ops and the voluntaries.

"The groups have to reexamine their *raison d'être*. The buying function doesn't have the meaning it did five years ago. And they are now saying, 'We need more tools,'" said Tony DeNicola, president of A&D Associates.

Pharmacy Buying Association is "evolving into a selling program," said Dick Spears, its head. One program is the Certified Rexall Retailer private label OTC program, backed by store identity, circulars and TV, he added.

Pharmacy Provider Services Corp. offers its Pharmacist's Preferred private label program, and just gained an 18-month contract for discounts on 8,000 durable medical equipment and home health care SKUs, said PPSC executive director Cindy Tanner.

Affiliated Independent Druggists Inc., a 200-member Midwest group, wants to offer products and services covering "anything for which the retailer might be writing a check," said president Gerrit Heida.

"The independents will look for more goods and services they can't individually get," agreed Rich Scoza, Legend's national advertising director and New York group executive director.

Notwithstanding this trend, buying group and co-op managers believe their groups offer a unique service.

Said Tanner: "The. . . buying group today has included an advocacy role on behalf of the pharmacist. They can be assured of an entity promoting our concept, and giving them a voice."

DRUG STORE NEWS
INSIDE
PHARMACY
PHARMACIST EDITION

SupeRx network serves as safety check

THE MODERN MATURE

PHOENIX — With many retirees moving here, SupeRx is taking the lead when it comes to marketing to the modern mature.

"We're very dedicated to the senior market," Bob Uecker, vp-pharmacy, said. "Arizona is one of the biggest areas for retirement communities and we're very dedicated to making sure we serve their needs."

The chain offers many of the same services for elderly persons as other retailers. However, SupeRx goes a step further for its customers.

Currently, plans are underway to unveil a new link-up service with its Synercom computer system. All prescription information will be linked by a SupeRx computer network to all pharmacy locations. Installations on the system started last month and the chain hopes to be fully operational by the first quarter of 1990.

"This gives our customers the advantage of a safety check," Uecker said. "That way if a patient goes to a pharmacy close to their doctor's office once, then, at another time, goes to one nearer their home, all of the information is there, so we can catch any medications that might possibly interact with one another."

SupeRx also houses a larger home health care unit than most chains.

"We target the high-retirement areas, and provide home oxygen, durable medical equipment (DME), home health care products, as well as home IV therapy," Uecker explained.

Much of SupeRx's emphasis resides in Phoenix and the surrounding Maricopa County area. The chain is currently the sole pharmacy provider for all county-paid long-term medical facilities, which totals approximately 3,500 beds.

"I believe that the long-term care delivery system in Maricopa County is state of the art," Uecker said. "There are no homes with county-paid beds that we don't serve. Our goal is to put together services which enable the senior to stay at home as long as possble. But when they and their families deem it necessary for them to move into these facilities, we're there once again to service them."

Although other counties in the state contract on a home-by-home basis, SupeRx has many of these contracts as well and Uecker hopes that eventually, more plans like the one in Maricopa County will be developed.

The pharmacists also man "Careline," an information line available for persons to call the pharmacists and ask questions about their medications.

"The reasons behind this program are basically to serve the senior population," Uecker explained. "This group uses the pharmacy more than any other segment.

"With specialized medicine, these people see several doctors at one itme, and they get different prescriptions from each," he added. "Most of the time, the doctors are aware of this, but sometimes they aren't. Plus, when people go to a doctor's office, many times it's a stressful situation and they forget very quickly what their doctor told them to do. This hotline serves as a reinforcement service."

Uecker stresses that in each of the programs directed at the modern mature, the chain is dedicated to the best possible service for their customers.

"If we can't do a quality job, we just won't do it at all," he said. "It takes a lot of expertise to market these areas effectively, and we're not going to do the job halfway."

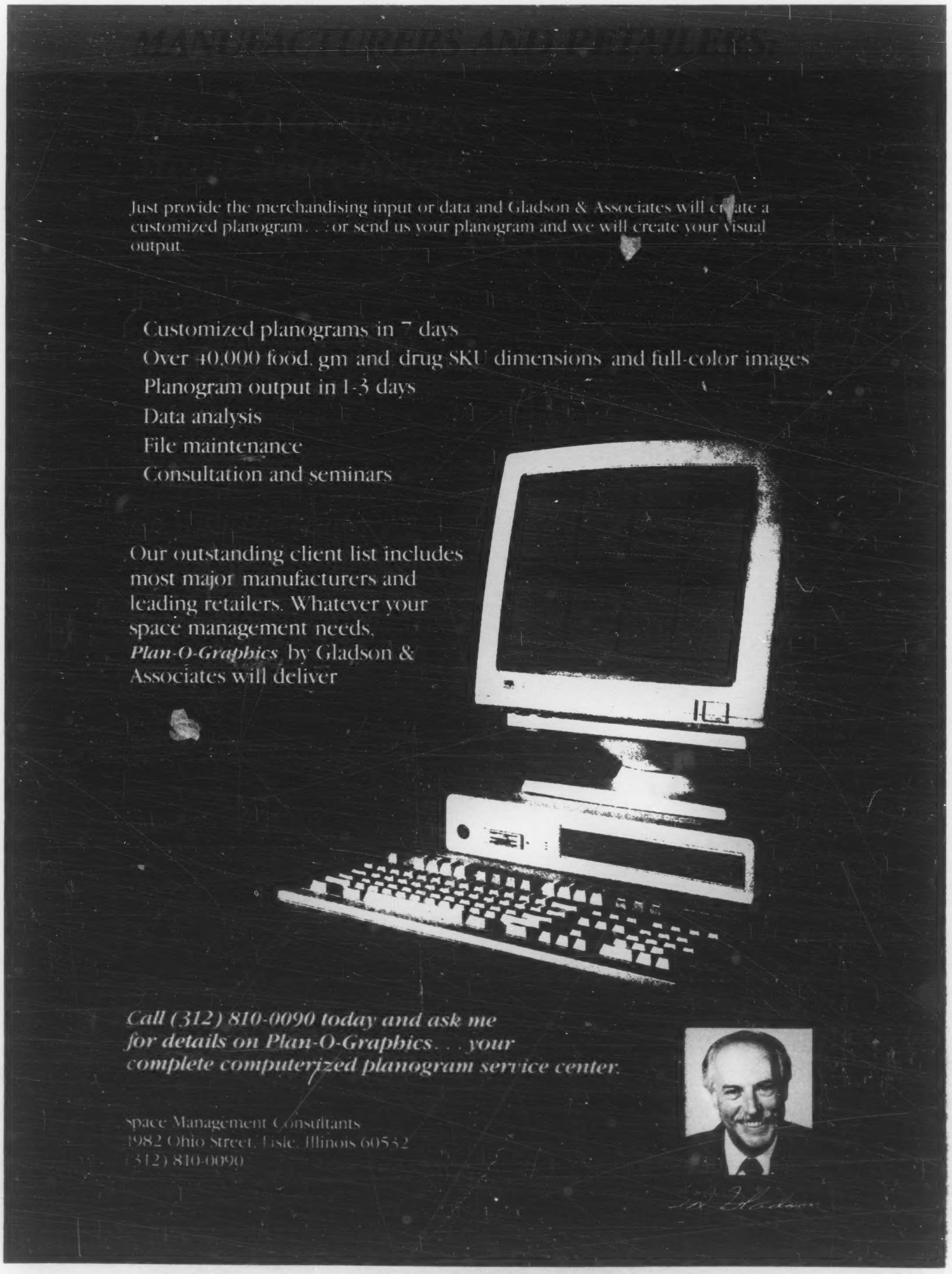
Reasons why people 55 years of age and older patronize specific pharmacies/drug stores

(Percentage citing reason*)

Convenience	**46.2%**
Past satisfaction with products/services	**37.3**
Company's reputation	**33.9**
Money-saving incentives	**24.9**
Helpful personnel/staff	**21.3**
Product/service selection	**19.8**
Spouse's suggestion/request	**9.3**
Advice of expert and/or advocate group	**7.1**
Friend's suggestion	**4.9**
Other relative's suggestion	**3.5**

*Percentages exceed 100.0 percent due to multiple responses.

Source: Dr. George Moschis, excerpted from "Older Consumer Responses to Marketing Efforts of Select Industry Groups," The Center for Mature Consumer Studies, Georgia State University.



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FINANCIAL

McK's second qtr. posts record; distribution businesses lead way

SAN FRANCISCO — Paced by its core distribution businesses, McKesson Corp. posted record results for the second quarter and first half ended Sept. 30.

Second-quarter revenues rose 8 percent, to $1.9 billion from $1.7 billion, and income from continuing operations was $26.4 million, up 28 percent from last year's $20.6 million. For the first half, revenues gained 9 percent, to $3.68 billion, and income from continuing operations was up 13 percent, to $50.4 million.

The company said strong performance of its drug distribution and bottled water business and the continuing turnaround of service merchandising operations reaped gains that more than offset declines in profitability of McKesson's two majority-owned subsidiaries, Armor All Products and PCS. Neil E. Harlan, chairman and ceo, noted that McKesson's two distribution companies accounted for 72 percent of operating profit and 94 percent of revenues in the quarter.

Drug distribution's operating profit was $36.7 million for the quarter and $70.9 million for the half. Revenues were $1.53 billion for the quarter and $3.02 billion for the six months. Operating margins remained steady at 2.4 percent compared with the prior-year quarter, in spite of start-up costs to service 900 Wal-Mart stores, and faster growth in lower-margin chain store warehouse business than in retail sales.

PCS posted a second-quarter operating loss of $100,000, versus a $3.8 million profit a year earlier, on revenues of $22.7 million, an 8-percent gain. First-half operating profit dropped 80 percent, to $1.8 million; revenues rose 7 percent, to $45.9 million.

PCS's second-quarter profitability was reduced by expenses related to its recently terminated bid to process prescription drug claims under the Medicare Catastrophic Care program and by an accrual related to the severance agreement with PCS's former president, McKesson said.

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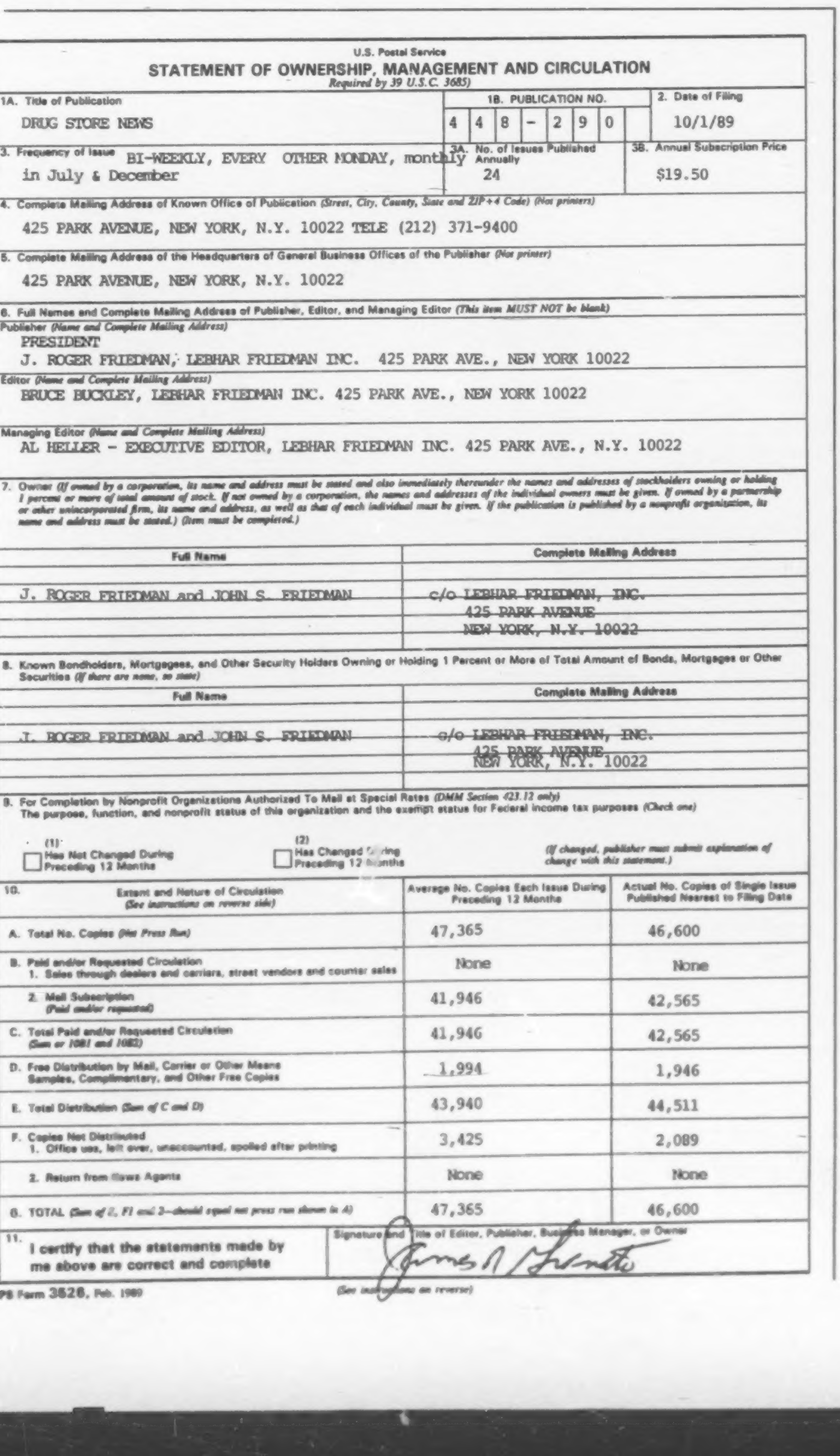

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8. Known Bondholders, Mortgagees, and Other Security Holders Owning or Holding 1 Percent or More of Total Amount of Bonds, Mortgages or Other Securities *(If there are none, so state)*

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9. For Completion by Nonprofit Organizations Authorized To Mail at Special Rates *(DMM Section 423.12 only)* The purpose, function, and nonprofit status of this organization and the exempt status for Federal income tax purposes *(Check one)*

(1) ☐ Has Not Changed During Preceding 12 Months

(2) ☐ Has Changed During Preceding 12 Months

(If changed, publisher must submit explanation of change with this statement.)

10. Extent and Nature of Circulation *(See instructions on reverse side)*	Average No. Copies Each Issue During Preceding 12 Months	Actual No. Copies of Single Issue Published Nearest to Filing Date
A. Total No. Copies *(Net Press Run)*	47,365	46,600
B. Paid and/or Requested Circulation 1. Sales through dealers and carriers, street vendors and counter sales	None	None
2. Mail Subscription *(Paid and/or requested)*	41,946	42,565
C. Total Paid and/or Requested Circulation *(Sum or 10B1 and 10B2)*	41,946	42,565
D. Free Distribution by Mail, Carrier or Other Means Samples, Complimentary, and Other Free Copies	1,994	1,946
E. Total Distribution *(Sum of C and D)*	43,940	44,511
F. Copies Not Distributed 1. Office use, left over, unaccounted, spoiled after printing	3,425	2,089
2. Return from News Agents	None	None
G. TOTAL *(Sum of E, F1 and 2—should equal net press run shown in A)*	47,365	46,600

11. I certify that the statements made by me above are correct and complete

Signature and Title of Editor, Publisher, Business Manager, or Owner

PS Form 3526, Feb. 1989 *(See instructions on reverse)*

MARKET DIARY:

Largest Dollar Gainer	Syntex Corp.	$ 2.88
Largest Dollar Loser	Abbott Labs	$ − 2.88
Largest Percentage Gainer	Newport Pharmaceutical	9.22%
Largest Percentage Loser	Zenith Labs	− 30.00%

Advances	23
Declines	31
Unchanged	5
New highs	5
New lows	7

	Close 10/24/89	Close 11/7/89	Net Change	Percent Change
Drug Store News Index	2867.13	2850.25	− 16.88	− 0.59
Dow Jones Industrial Average	2659.22	2597.13	− 62.09	− 2.33
Standard & Poor's 500-Stock Index	343.70	334.81	− 8.89	− 2.59
N.Y.S.E. Composite	190.05	185.74	− 4.31	− 2.27
Value Line Index	288.81	254.76	− 34.05	− 11.79

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 10/24/89	Closing Price 11/7/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	18.75	19.00	0.25	1.33	20	0.16	0.84	24.75	8.00
OTC	Big B	BIGB	12.75	13.00	0.25	1.96	16	0.16	1.23	15.25	10.63
OTC	Drug Emporium	DEMP	10.63	8.88	− 1.75	− 16.47	13	0.05	0.56	16.38	6.38
NYS	Fay's Inc.	FAY	12.13	11.50	− 0.63	− 5.15	15	0.20	1.74	15.00	8.63
ASE	Genovese Drug	GDX.A	10.63	10.88	0.25	2.35	15	0.24	2.21	12.88	8.75
OTC	Leroy Pharmacies (L)	LERY	4.50	4.25	− 0.25	− 5.56	30	0.00	0.00	5.38	4.25
NYS	Longs Drug Stores	LDG	41.88	42.38	0.50	1.19	15	0.96	2.27	46.00	33.63
OTC	Medicine Shoppe	MSII	31.75	31.25	− 0.50	− 1.57	24	0.10	0.32	34.50	20.25
NYS	Perry Drug	PDS	8.63	7.88	− 0.75	− 8.70	8	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp.	RAD	38.88	37.50	− 1.38	− 3.54	16	0.82	2.19	41.13	29.13
NYS	Walgreen Co.	WAG	43.63	41.63	− 2.00	− 4.58	17	0.80	1.92	50.25	29.63
Wholesaler's transactions											
OTC	Alco Health Services (L)	AAHS	18.75	18.00	− 0.75	− 4.00	39	0.00	0.00	30.38	18.00
ASE	Bergen Brunswig	BBC	26.00	23.75	− 2.25	− 8.65	13	0.32	1.35	27.25	15.63
OTC	Bindley Western Ind.	BIND	9.25	9.63	0.38	4.05	16	0.00	0.00	10.63	6.63
OTC	Cardinal Distribution	CDIC	20.63	20.50	− 0.13	− 0.61	16	0.08	0.39	22.50	12.88
OTC	Durr-Fillauer	DUFM	19.63	20.13	0.50	2.55	13	0.24	1.19	23.25	15.38
ASE	Ketchum (L)	KCH	4.50	3.63	− 0.88	− 19.44	d	0.00	0.00	7.63	3.63
NYS	McKesson Corp.	MCK	35.50	35.63	0.13	0.35	15	1.44	4.04	39.75	29.63
ASE	Moore Medical	MMD	9.63	9.50	− 0.13	− 1.30	d	0.00	0.00	15.13	9.00
NYS	Owens & Minor	OMI	11.38	12.25	0.88	7.69	23	0.26	2.12	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	67.00	64.13	− 2.88	− 4.29	17	1.40	2.18	68.50	44.13
ASE	Alou	ALU	2.50	2.50	0.00	0.00	d	0.00	0.00	3.00	2.38
NYS	American Home Products	AHP	103.88	103.50	− 0.38	− 0.36	15	3.90	3.77	107.25	76.38
NYS	Baxter International	BAX	23.75	22.63	− 1.13	− 4.74	16	0.56	2.48	24.38	16.25
OTC	Block Drugs Co.	BLOCA	36.50	37.00	0.50	1.37	14	0.64	1.73	38.00	30.25
ASE	Bolar Pharmaceutical (L)	BLR	15.00	14.88	− 0.13	− 0.83	9	0.04	0.27	32.25	12.75
NYS	Bristol-Myers Squibb	BMY	52.25	53.63	1.38	2.63	18	2.00	3.73	55.00	41.38
NYS	Carter-Wallace (H)	CAR	56.50	57.50	1.00	1.77	18	0.82	1.43	57.50	38.13
ASE	Forest Labs	FRX	38.88	38.88	0.00	0.00	30	0.00	0.00	40.38	21.88
ASE	Halsey Drug	HDG	5.88	5.50	− 0.38	− 6.38	18	0.00	0.00	7.38	1.88
NYS	ICN Pharmaceutical (L)	ICN	5.38	5.75	0.38	6.98	d	0.00	0.00	7.00	5.13
ASE	Lee Pharmaceutical (L)	LPH	2.88	2.88	0.00	0.00	d	0.00	0.00	5.38	2.50
ASE	Leiner P. Nutrition (s)	PLI	13.25	12.88	− 0.38	− 2.83	15	0.00	0.00	14.25	7.25
NYS	Lilly Eli Co.	LLY	64.00	62.00	− 2.00	− 3.13	20	1.35	2.18	66.25	42.38
NYS	Marion Labs (H)	MKC	33.75	34.00	0.25	0.74	71	0.36	1.06	36.63	18.50
NYS	Merck Co. (H)	MRK	77.88	76.13	− 1.75	− 2.25	21	1.80	2.36	79.63	53.50
NYS	Mylan Labs (H)	MYL	18.88	20.13	1.25	6.62	47	0.10	0.50	21.00	7.50
OTC	Newport Pharmaceutical	NWPH	4.06	4.44	0.37	9.22	d	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.63	5.25	− 0.38	− 6.67	9	0.04	0.76	11.88	3.88
NYS	Pfizer Inc.	PFE	67.50	67.75	0.25	0.37	16	2.20	3.25	70.75	54.00
NYS	Robins, A.H. (H)	RAH	33.25	35.75	2.50	7.52	20	0.00	0.00	36.38	21.88
NYS	Rorer Group	ROR	41.75	42.13	0.38	0.90	20	0.80	1.90	48.00	36.13
NYS	Schering Plough	SGP	73.50	75.75	2.25	3.06	19	1.80	2.38	79.63	52.50
NYS	Syntex Corp.	SYN	44.00	46.88	2.88	6.53	18	1.50	3.20	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.38	1.38	0.00	0.00	46	0.00	0.00	1.88	0.81
NYS	Thiokol Inc.	TKC	13.88	13.25	− 0.63	− 4.50	11	0.30	2.26	121.00	12.38
NYS	Upjohn Co.	UPJ	37.88	36.75	− 1.13	− 2.97	18	1.00	2.72	42.13	27.00
NYS	Warner-Lambert	WLA	108.88	106.63	− 2.25	− 2.07	18	2.56	2.40	115.88	70.75
NYS	Zenith Labs (L)	ZEN	0.63	0.44	− 0.19	− 30.00	d	0.00	0.00	2.75	0.34
Other retailer transactions											
NYS	Albertson's	ABS	58.75	57.50	− 1.25	− 2.13	21	0.80	1.39	60.25	32.75
NYS	American Stores	ASC	56.25	54.50	− 1.75	− 3.11	24	1.00	1.83	72.50	51.50
NYS	Giant Food	GFS.A	28.88	28.88	0.00	0.00	16	0.50	1.73	36.25	21.00
NYS	K-Mart	KM	34.63	35.00	0.38	1.08	9	1.64	4.69	44.88	33.50
NYS	Kroger	KR	16.88	14.75	− 2.13	− 12.59	d	0.00	0.00	19.75	8.38
NYS	Melville Corp.	MES	50.38	48.50	− 1.88	− 3.72	15	1.30	2.68	53.63	34.38
OTC	Fred Meyer	MEYR	19.50	17.63	− 1.88	− 9.62	13	0.00	0.00	23.00	14.38
NYS	Penney, JC	JCP	64.63	65.63	1.00	1.55	11	2.24	3.41	68.75	50.38
NYS	Smith's Food & Drug	SFD	21.88	22.00	0.13	0.57	20	0.20	0.91	25.00	20.50
NYS	Wal-Mart	WMT	43.00	41.25	− 1.75	− 4.07	25	0.22	0.53	44.00	29.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

C5150-2

DRUG ST℞ VS

0124457 JUN90DR
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4520 E W HWY
BETHESDA MD 20814

Vol. 11/No. 23 **Our 61st year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Dec. 11, 1989

TOP OF WEEK FEATURES

Consumer Brands Preference Study

Customers' favorites in 51 categories, with buying rationales. **Pages 7–45.**

Nielsen Review of Drug Store Retailing

A look at the economic environment, sales and inventory trends, space allocation and merchandising. **Pages 3, 51–60.**

LATE NEWS

- WILLOWDALE, Ont. — Shoppers Drug Mart has signed a contract to install IBM 4680 pos systems in its stores, beginning with a 10-store test in 1991, followed by a 200-unit rollout in 1992.
- WOODBRIDGE, N.J. — Jack Futterman, chairman and ceo of Supermarkets General Corp. since October, has assumed the president's job as well with James Dougherty due to leave.
- TROY, Mich. — K mart Corp. is consolidating its two wholesale club divisions, PACE Membership Warehouse Inc. and Makro Inc., after purchasing from S.H.V. Holdings the 49 percent of Makro stock it did not already own, completing its buyout of PACE.
- HARRISON, N.Y. — Melville Corp., parent of CVS, Freddy's and other retailers, reported a 10.6-percent sales increase in November, to $674.7 million, and a 12.1-percent gain for the year to date, to $6.27 billion.

Peoples is *not* for sale: Bloom

Denies published reports questioning chain's future under Imasco

By Susan Ball

WILLOWDALE, Ontario — Imasco Ltd. has "no interest in selling" Peoples Drug Stores, its U.S. drug store retail division, David R. Bloom, chairman and ceo of Imasco Drug Retailing Group, told *Drug Store News*.

Bloom contends that a story by a Reuters reporter who interviewed Purdy Crawford, Imasco's chairman, president and ceo, on Nov. 24 took some of Crawford's comments about Peoples out of context. The article, which subsequently appeared in a Canadian newspaper, *The Financial Post*, was headlined, "Imasco may unload Peoples," and said Imasco "may sell the rest of its U.S. units unless profit improves in 1990." (Peoples sold about 325 stores this year in the Southeast and Midwest and is focusing on its 500-plus stores in its strongest markets in Eastern and Mid-Atlantic states.) The Reuters story was picked up by some U.S. newspapers.

"There's no truth to it. We are pleased with Peoples' progress and expect it to finish the fiscal year on plan," Bloom said. He added that Imasco expects further improvement in performance of the Alexandria, Va.-based chain in 1990 and predicted that Peoples' profitability will eventually "equal or be better than its principal competitors."

He said that he and David Eisenberg, recently promoted to president

See **Bloom,** *page 93*

Perry Drug's turf is the inner city

'A real niche opportunity'

Chain presence in Detroit

(No. of stores)

Perry	12
Farmer Jack	6
Arbor	3
Revco	3
Concord-Wrigley	3
K mart	2

Source: *Drug Store News* research

By James Frederick

DETROIT — Parts of this city still look about as bad as it gets in urban America: bleak landscapes of post-industrial decay where people wage a daily struggle against crime, poverty, drugs and despair. Even in some inner-city neighborhoods whose once-gracious homes still recall better times, the money and vitality that bled away after the riots here more than 20 years ago have never really returned.

Downtown stands the Renaissance Center, much heralded when it was built as a beacon of urban development that would help lead downtown Detroit out of the economic wilderness. Now, the center resembles nothing so much as a fortress, sealed off from its surroundings and contributing little to whatev-

See **Perry,** *page 91*

Phar-Mor making big play with home office supplies

YOUNGSTOWN, Ohio — Phar-Mor is striding into the home-office supply business in seven-league boots.

Thirty-eight of its stores, in 12 states, boast new, huge assortments of home and office supplies in addition to their traditional stationery departments. Phar-Mor's Mechanicsburg (Harrisburg), Pa. store, for example, which opened in March, features a valley of home-office products, predominantly multi-packs and case goods, in an assortment that ranges from pens and pencils to filing systems and Rolodexes.

Seven of these stores carry an even wider selection, including large items like file cabinets, furniture and office machines. These home-office departments have cash register stations and trained sales consultants on hand to demonstrate machines and help customers with product information and orders. (The locations are Philadelphia; West Palm Beach, Fla.; Austin, Texas; Pittsburgh; Englewood, Colo.; Boardman, Ohio; and Chicago.)

Phar-Mor is rolling out an over 100-page catalog for the more than 3,000 home and office products it stocks — "from folders to floppies to file cabinets," as the catalog says. Available in stores and widely distributed to businesses, hospitals and other potential customers, the catalogs invite shoppers to place orders at their local store or call an 800 customer-order number connecting them with telemarketing reps at Phar-Mor headquarters.

POWER
PHAR-MOR
BUYING
OFFICE PRODUCTS
SAVINGS CATALOG
LOWEST EVERYDAY PRICES
LIQUID PAPER CORRECTION FLUID
7.96
3.89
589.00
89.37
46.59
WHEN PHAR-MOR POWER BUYS, WE MEAN BUSINESS

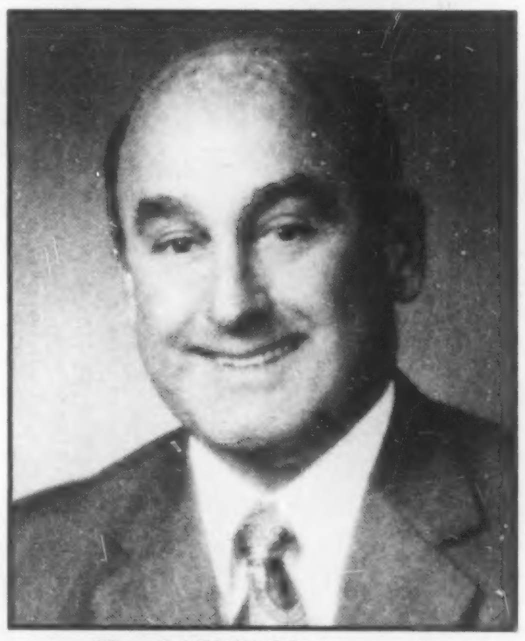
Left: Phar-Mor's fall 1989 office products catalog boasts more than 3,000 products in stock and deep-discount prices.

Catalog orders are delivered to the store for the customer to pick up or for orders exceeding $500, Phar-Mor will deliver, at a charge of 5 percent of the total order.

Phar-Mor is committed to handling a core merchandise selection, and its buying and distribution is centralized, said Carol Robinson, vp-advertising and public relations.

"We're targeting home offices and small businesses of up to 25 employees, as well as some Fortune 500 compa-

See **Phar-Mor,** *page 93*



Paul "Ed" Matteucci

Buying group's new president eyes services

NEW YORK — Closer member-vendor relations and new emphasis on services other than product purchasing must be stressed by Affiliated/Associated Drug Stores if it is to remain resilient and competitive, said incoming president Paul "Ed" Matteucci.

"Everything is open for dis-

See **Matteucci,** *page 93*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists.*
For information,
dial (212) 371-9400, x 380.

NEWS IN BRIEF

Arbor adds three stores in Michigan

TROY, Mich. - Arbor recently added three stores to its Michigan roster, in keeping with its plan of opening 12 to 15 stores during fiscal year 1990, which began Aug. 1.

The company unveiled a 10,220-square-foot store in the Village Mall at 1125 Highway M-52 at Old U.S. 12 in Chelsea. Another store, measuring 12,500 square feet, opened at 36800 Garfield Rd. at Metropolitan Parkway in Mt. Clemens.

In addition, Arbor acquired the assets of Mey Pharmacy in Saginaw, including its operations and prescription files, and opened its 91st store at 2525 State St. Larry Mey, former owner of Mey Pharmacy, joined the Saginaw store as an Arbor pharmacist.

McKesson to build 5th D.C. in St. Louis

ST. LOUIS — McKesson Corp. is preparing to build a larger distribution facility here to help expand its market coverage.

Construction on the new 234,000-square-foot site is expected to begin early next year, with completion due by early 1991. It will replace an 86,000-square-foot site which McKesson has used since 1966.

Company-wide, McKesson currently operates 47 distribution centers that add up to more than 4 million square feet of warehouse space. The new St. Louis facility follows McKesson's building and opening of four new DCs this year.

Wal-Mart, mall get yes vote

IOWA CITY, Iowa—Wal-Mart recently came up against a resident's revolt here in November when local merchants protested to block the opening of the retail giant's proposed 87,000-square-foot store in a 28-acre downtown shopping center.

Actually, said Brenda Lockhart, Wal-Mart spokesperson, the residents were opposed to the building of the shopping center, of which Wal-Mart will be an anchor store.

Residents feared the discount store would take away from the community's small-town ambiance, and they took their city council to court to vote on a referendum banning the proposed site.

Despite the opposition, the ballot passed with a "yes" vote.

Ex-Reliable's Dalton to head MedNet

HARRISBURG, Pa. — David Dalton, formerly senior vp-pharmacy operations for Reliable Drugs, is the new president and ceo of the MedNet Group, an administrator of prescription drug programs and durable medical equipment with a national provider network for insurance carriers and self-insured companies.

"My experience in the business side of pharmacy will help continue to establish MedNet as a prescription drug administrator that can truly contain costs, but not on the back of the pharmacist," said Dalton, who was vp-professional relations at Rite Aid before joining Reliable as one of the new chain's original management group.

Drug Castle opens Ohio store

SPRINGFIELD, Ohio — Drug Castle Franchises opened a new 27,000-square-foot store in Middletown, Ohio.

The deep discount drug store, owned and operated by Southwestern Ohio Drug Distributors, offers brand name H&BAs, packaged foods and household chemicals in its product mix. Its computerized pharmacy departments boast savings of up to 50 percent off prescription prices charged by other drug stores.

Drug Castle franchise stores presently operate in Ohio in the towns of Dayton, Springfield, Akron, Lima and Warren; Tampa and St. Petersburg, Fla.; and Fort Wayne, Ind.

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'50s theme big success at Snyder's buying show

MINNETONKA, Minn.—Marilyn Monroe and Elvis Presley posters, hula hoops and classic Thunderbird, Packard and Nash Rambler cars lent authenticity to the "Back to the '50s" theme of Snyder Drug Stores' recent semi-annual buying show.

Rather than a vendor show, Snyder's fall and spring events exhibit seasonal merchandise preselected by the chain's buying department.

The show gave independent retailers a chance to explore business opportunities that have succeeded in Snyder's corporate stores, including point-of-sale systems, pre-employment testing, parcel shipping centers and employee training packages. A live demonstration of Snyder's new POS-scanning system (Tomax software and Casio computers), which the chain began rolling out to corporate units in October, drew particular interest.

The two-day show drew owners and employees from nearly all of Snyder's 200 independent retailer group to Minneapolis' new convention center to view and place orders for spring and summer merchandise. It was also a place for "mixing and enjoying," as Snyder vp Bill Vidmar put it. Snyder's laid on a dance band that played '50s tunes and such pre-cholesterol-angst fare as hamburgers, french fries, malts and sundaes.

In addition, "The show provides a gathering place to discuss things that are important to our independent retailers," Vidmar said.

"That's a big reason why we come to the buying show," said Matt Osterhaus, co-owner of Osterhaus Snyder Pharmacy in Maquoketa, Iowa. "Obviously, seeing the merchandise and ordering are important, but meeting with other independent retailers gives us an opportunity to compare notes and see what works elsewhere." Osterhaus, who will be getting a new Wal-Mart near his store soon, found an Illinois drug store operator at the show who had already confronted that situation. "Talking to him helped us put together a strategy on how to face our new competition," Osterhaus said.

In addition, an Independent Retailer Advisory Group meets with company officers during the event. "We bounce things off the council and they tell us things we should be looking at," said Vidmar.

Staff from Osterhaus Snyder Pharmacy, Maquoketa, Iowa, preview spring and summer merchandise at Snyder's independent retailer buying show. From left: Matt Osterhaus, Fran Waknitz, Marilyn Osterhaus, Dorothy Sanger, Ann Osterhaus, Myrna Klunder and Bob Osterhaus.

Snyder's vps switch jobs

MINNETONKA, Minn. — Two vps of Snyder Drug Stores have switched job responsibilities.

Phil Perkins, formerly vp-wholesale operations, is now vp-marketing, and Bill Vidmar, who held that post, is now vp-wholesale operations.

Some department realignments accompanied the switch. Perkins will continue to be responsible for Snyder's 359,000-square-foot warehouse. Vidmar, a registered pharmacist, will also oversee the chain's retail pharmacy operations.

"These moves are part of Snyder's ongoing effort to maximize our management strength and to broaden the base of experience of those involved," said Don Beeler, president and ceo.

In addition, John Stubstad was named vp-information services, a new position at Snyder's, earlier this year.

Cutbacks shadow health care expo

ATLANTA — Record numbers of dealers and manufacturers flooded the Georgia World Congress Center for the 10th annual National Home Health Care Exposition in mid-November, but they conducted their business against a backdrop of continuing cutbacks in third-party reimbursements and growing competition.

Despite the industry's growth to an estimated $12 billion or more in annual sales, home health care dealers and suppliers are faced with ever-tighter restrictions on Medicare and other third-party reimbursements for homebound patients who depend on their products. Thus, the three-day event at the Georgia World Congress Center was subdued by caution from buyers.

"It's growing, but it's a troubled industry and a tough business to survive in," noted Denise Novoselski, publisher of Homecare, the industry digest. "It's not the kind of product line you can just stick in a chain drug store and forget. There are problems with inconsistent Medicare pay requirements, denials of claims and a proliferation of companies who have flooded into the market in the last few years, including hospitals. And the dealers are problems themselves, because many of them don't generate the proper claims."

> *Despite the industry's growth to an estimated $12 billion or more in annual sales, home health care dealers & suppliers are faced with ever-tighter restrictions on third-party reimbursements.*

"Ten years ago, everyone could get into this business and it was a no-brainer, but that's not the case anymore," added Jim LaPoint, director of corporate pharmacy services for White & White Home Health Care and Pharmacy, a seven-store chain based in Grand Rapids, Mich. "It's a tough business to be in."

Cost-cutting by government and private insurers is squeezing profits and forcing dealers to adopt strict controls over what durable medical equipment they buy and how much of it they keep in stock. Many dealers at the show expressed exasperation about shifting and confusing reimbursement policies, shrinking profit margins and the growing need to manage their home health care business.

"Medicare is changing so fast we can't keep up," said Joe Callahan of White & White. "You have to be flexible. We used to be primarily a rental business, then converted to more of a selling business (in the mid-1980s), and now we're going back to rentals because of the reimbursement situation."

Nevertheless, he said,

Continued on page 93

OPINION

Civic duty: good 'personal' strategy

IN THE MARKET
BRUCE BUCKLEY

"One company can't reform all of the problems of a troubled inner-city neighborhood — but we can help."

With this statement, summing up the driving force behind Walgreens' new "One on One" tutoring program for Chicago inner-city grade school children, Charles R. Walgreen III, chairman and ceo, encapsulated the spirit bringing more and more businesses into civic areas once dominated by government programs.

Walgreens' new program combines a few hours a week of tutoring with basketball for an unbeatable work and play formula designed to pick up grades and teach teamwork, paving the way for success in high school and, eventually, college.

That may sound like a big leap for kids on Chicago's Near West Side who will be the first to benefit from Walgreens' new program. But the Midtown Educational Foundation, recipient of Walgreens' pledge of $190,000 to support the program for the next four years, has scored points since 1965 with just such a program, aimed at seventh- and eighth-grade boys. In 1985 an affiliated program for girls was launched. More than 60 percent of kids in the program go on to college.

Walgreens' new program aims to pick up youngsters at an earlier, more impressionable age — the fourth- to sixth-grade levels. It starts this fall with 30 boys, and will later be expanded to girls. Eventually 100 children a year will be helped by volunteer tutors trained in Walgreens' program.

As Walgreens' chief executive describes it: "We chose our company's hometown, Chicago, and a program that helps kids on a personal level. . . . Our program will reach students at an earlier age, build their confidence and open some options to them."

Walgreen hits the nail on the head when he points out the need for business to get involved in such programs: "This isn't just civic duty, it's concern for future employees. . . . With a national high school dropout rate nearing 30 percent, our next generation is at risk."

Walgreens is not, of course, the only drug chain or independent pharmacy giving its resources to worthwhile endeavors. The spirit of volunteerism that has burned bright in the '80s has moved many companies to greater involvement in their communities. We'll be portraying some of these outstanding efforts in future issues.

I wanted to focus on Walgreens in this column because, first, it is the premier chain in the industry —one of the oldest and certainly the most successful. Second, I wanted to mention a project we're undertaking. In March, we will publish an issue entirely devoted to Walgreens and the factors that have made it such a success. It will be the first full-issue study on a chain that *Drug Store News* has published in more than a decade, we believe it will be a notable publishing event.

Walgreens' contribution to Chicago's children captures as much as anything the kind of creative imagination that has made the company the industry leader. It combines civic good with a strategic vision of how the welfare of young children in Chicago's inner-city neighborhoods is linked to Walgreens' future. The children are, after all the employees and customers of tomorrow.

* * *

Special thanks to Alert Marketing, Inc., the retail merchandising service company based in Waterbury, Conn., for interviewing store managers on brand preferences, part of our special section beginning on page 7.

A refreshing view of retailing

THE HUMAN SIDE
AL HELLER

Refreshing. After spending a day with Tom Rosenthal, the 33-year-old president of 66-store Standard Drug in Virginia, I feel confident that "down-home retailing" will be with us for quite some time. People respond to drug store retailers who practice with a feel for the human side.

The chain's attitude flows from the top, where chairman Gilbert Rosenthal and son, the third generation in the business, share a deliberately informal but increasingly disciplined approach to management. Gilbert looks the picture of comfort at his desk, attired in sport shirt and cable knit sweater; ask him a question, and he can spew out category statistics and discuss trends in rapid-fire fashion.

Tom, a Wharton School graduate, has worked at Standard a dozen years already, and, coming into his own as president the past year-and-a-half, is nearing a decision on which scanning system to bring into his chain. But increased disciplines won't strip Standard of its human feel.

Consider that the chain gives career pharmacist Richard Martin three extra weeks of paid personal time annually so he can fulfill his duties as president of the State of Virginia Parent-Teachers Association. Says Tom: "We did the same for another employee who was on the state pharmacy association." Not all chain presidents would equate the two positions and give such latitude.

He addresses store staffers by their first names and listens when they speak. He gives them the confidence that action will be taken by making verbal notes into his microcassette recorder right in front of them.

Tom served recently as president of the Jewish Family Services social work agency, and belonged to the United Jewish Appeal Young Leadership Cabinet, reflecting his desire to serve less privileged people.

What he enjoys less is part of his role as chairman of the Virginia Association of Chain Drug Stores. "It's frustrating," Tom said, with growing intensity. "I just spent a day driving through eastern Virginia with a lobbyist giving out checks.

Tom Rosenthal chats with store manager Kathy Aljabar.

"I don't like being beholden to a political system to determine our economic future. It's us versus the hospitals. This is not a nice way of doing business."

I like to consider Tom, who is helping to keep the $80 million (annual sales) chain competitive in a tough market, as part of a "new guard"—including Jim Harrison III of Harco, Alan Levin of Happy Harry's, Mark Griffin of Lewis Drugs and Steve, Mike and Jeff LaVerdiere of LaVerdiere's. At these strong, family-owned regionals, the management mantel is increasingly being passed to young executives in their 30s, who've grown up in the businesses and know what their local markets demand.

Tom, for one, sees industry consolidation and encroachment by formidable combos, and expresses concern that the regionals will be a "swallowed guard. There won't be many of us left in a few years."

He is right, of course, when he says efficient pharmacy providers will be the survivors, and Wal-Mart makes it tough to compete on front-end business.

But I like to think there is room for both. Local talent, flexibility and resourcefulness, and knowing one's markets best, can be effective weapons against rigid business sharpies who bring their specific retail formulas to town. Hometown non-trendy merchandising, and a sincere human concern, still counts for a lot across much of America. That gives me a warm feeling as I slosh my way across Manhattan to my Park Avenue office.

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CONSUMER BRANDS PREFERENCE STUDY

"Right now, I'm using Head & Shoulders shampoo, but I switch every three to four months. I read in magazines that it's good to do that. Picking shampoos is confusing. There are so many gimmicks, it's hard to tell which shampoos are good and which aren't, so I feel better if I stick to a major brand.

"My husband uses Crest toothpaste, but I use Colgate, because I was brought up on it and I've always trusted it. Besides, I like the taste, and I'm real particular about my teeth."

— Debbie Patton, Los Angeles

"For my face, I use Ponds water-rinsable for extra-sensitive skin. I'd been looking for water-rinsable for a long time and was in a drug store reading the labels, and found Ponds. The name was familiar, because my mother uses it and she has great skin. I needed to start with a name I knew; otherwise, I'd still be in there studying the labels!

"For my hands, I've used Vaseline Intensive Care for years, and I would go to another store rather than switch. I buy economy sizes, so getting something I didn't like would be a big mistake that I'd be stuck with for several weeks.

— Midge Dunne, Washington, D.C.

"In cosmetics, I've been buying long enough to know what I want. Although I'm a big bargain hunter and coupon clipper, I buy for quality in things like makeup and skin care. I've reached the point where I realize quality makes a differ-

Continued on p. 8

The overview to Drug Store News's *1989 Consumer Brands Preference Study was written by associate editor Susan Ball. Category articles were written by special projects editor Liz Parks, field editor Christine Bizzarro, senior editor David Vaczek, and, in* Inside Pharmacy, *by IP's editor Harold Cohen. Fred Rueckher III, editorial assistant, compiled the regional market data from Standard & Poor's Metro Insights, the Editor & Publisher Market Guide, and Metro Market Studies. Bob Brokman was the art director, and graphic artist Maria Agrusa-Ferrigno designed the charts.*

Percentages of women shoppers indicating favorite brands in 51 categories

OTC

ANALGESICS	
Tylenol	34%
Advil	14
Bayer	5

COUGH/COLD	
Robitussin	19%
Vicks	15
Triaminic	9

EYE CARE/LENS CARE	
Bausch & Lomb	31%
Visine	11
Alcon	6

LAXATIVES	
Correctol	28%
Ex-Lax	20
Metamucil	12

H&BA

DEODORANT	
Secret	18%
Mennen Speed Stick	16
Ban	13

FACIAL SKIN CARE	
Oil of Olay	12%
Noxzema	10
Ponds	9

HAIR STYLING AIDS/GELS	
Clairol Condition	5%
Aqua Net	5
Final Net	5

HAIR COLOR	
Miss Clairol	48%
L'Oréal	20
Dark & Lovely	5

MOUTHWASH/RINSE	
Listerine	34%
Scope	32
Plax	7

SHAMPOO	
Suave	6%
Head & Shoulders	6
Pert	5

SUNTAN LOTION/ BLOCK PRODUCTS	
Coppertone	20%
Bain de Soleil	15
Hawaiian Tropic	8

TOOTHPASTE	
Crest	40%
Colgate	26
Aqua-fresh	8

LIP, EYE OR FACE MAKEUP	
Maybelline	21%
Revlon	12
Cover Girl	10

NAIL COLOR/POLISH	
Revlon	22%
L'Oréal	11
Cutex	5

OTHER NAIL TREATMENTS	
Cutex	23%
Revlon	15
Sally Hansen	11

MEN'S FRAGRANCES	
Polo	13%
Old Spice	10
Brut	9

WOMEN'S FRAGRANCES	
Estée Lauder	4%
Giorgio	4
Chanel	3

HAND AND BODY LOTION	
Vaseline Intensive Care	25%
Jergens	15
Lubriderm	6

General merchandise

FILM	
Kodak	85%
Polaroid	4
Fuji	4

BATTERIES	
Duracell	34%
Eveready	27
Energizer	15

HOSIERY	
L'eggs	35%
Hanes	11
No Nonsense	9

Source: Fairfield Research, Inc.

Survey probes rationale behind brand selections

Continued from page 7

ence. I bought a cheap face cream once and was given an expensive one soon after, which I loved and lasted much longer. That taught me a lesson: I only had to use a dot of it, but a clump of the cheaper stuff, so I learned that something cheaper was not really saving me money."

—Janet Kessenich, Boston

"I use Helene Curtis shampoo, mousse and conditioner. One day it was on sale, and I found it leaves my hair shiny and easy to manage and tames the gray. Would I switch if my store was out of it? Probably; it would depend on how much of a hurry I was in."

—Barbara Warren, Houston

Out of the mouths of consumers come eloquent expressions of basic marketing and retailing truths.

Consider some of the points implicit in the above consumers' comments:

- Shoppers like Midge Dunne aren't willing to compromise if they've found something that works for them. As in the old cigarette slogan, they'd rather "fight" (by going to another store) than switch, especially in categories where product performance varies widely and results are readily apparent.
- Price matters more where performance is generally standard among products in a category.
- A technological advantage or distinctive product benefit (such as water rinsability) creates a sales edge.
- Name brands play a major role in purchasing decisions. Faced with a dizzying array of shampoos, Debbie Patton uses well-known brands as her compass.
- Brands people grew up with influence their buying decisions, as Midge and Debbie illustrate.
- Advertising and packaging build awareness, which shoppers use to guide them through category clutter.
- Past experience plays an important role in product selection and brand loyalty, as Janet Kessenich recounted.
- A good price on a name brand can tip the scales on initial use for consumers like Barbara Warren, who then stayed with the product based on its performance.

The above shoppers' comments echo the findings of *Drug Store News'* Brand Preference Study.

Key findings

The survey reveals brand preferences in 21 H&BA categories among 600 female consumers in six major markets across the country. [*See methodology box.*] It also probed consumers' reasons for their selections. Among the main findings:

- A high percentage of respondents — ranging from 71 percent in sun care to 95 percent in film — said they have a brand preference in the categories studied, including four OTC, nine toiletry, five cosmetic/fragrance and three general merchandise categories.
- Brand loyalty, gauged by percentage of consumers who said they would not switch if their brand was not in stock, was generally strong across all categories. The highest degree of brand loyalty — 90 percent or better — was in the hair color, eye/lens care, laxatives, nail treatments and men's fragrances categories. The lowest brand loyalty was found in toothpastes, deodorants, batteries, shampoos and cough/cold products.
- Some categories were high

Continued on page 10

Number of regular brand users: How six major markets rank

1. Chicago
2. Atlanta
3. Houston
4. Wash., D.C
5. Boston
6. Los Angeles

Source: Fairfield Research, Inc.

Number of regular toiletry brand users: how six major markets rank

1. Atlanta
2. Chicago
3. Wash., D.C.
4. Houston
5. Boston
6. Los Angeles

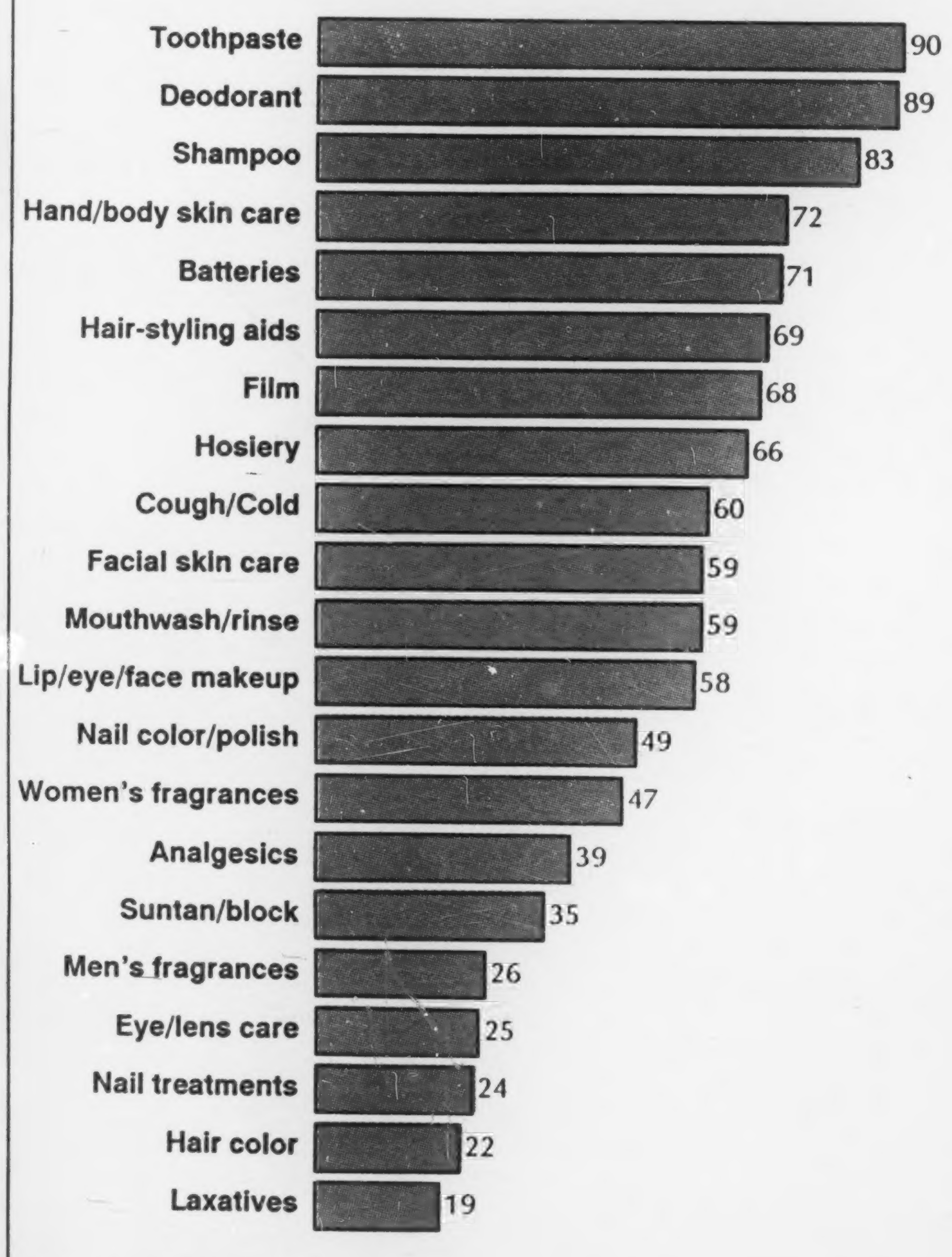
Source: Fairfield Research, Inc.

Shoppers aren't willing to compromise if something works for them.

CONSUMER BRANDS PREFERENCE STUDY

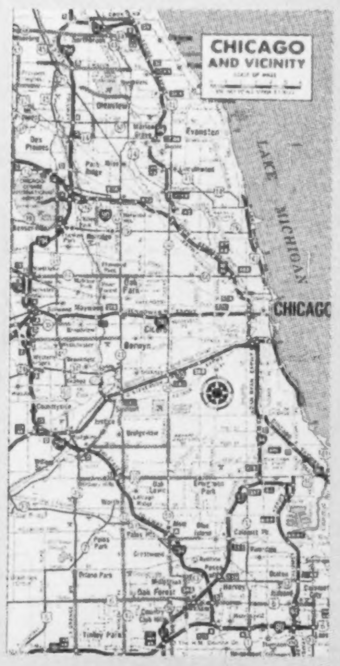
Frequency of Purchase

(% of respondents who purchased these products in past 6 months)



Sourc: Fairfield Research, Inc.

CHICAGO



The Windy City's economy is served by a mixture of the finance, business service and transportation industries, all of which are relatively insulated from economic downturns because they serve regional, national and international markets. The manufacturing of durable goods has shown continued expansion.

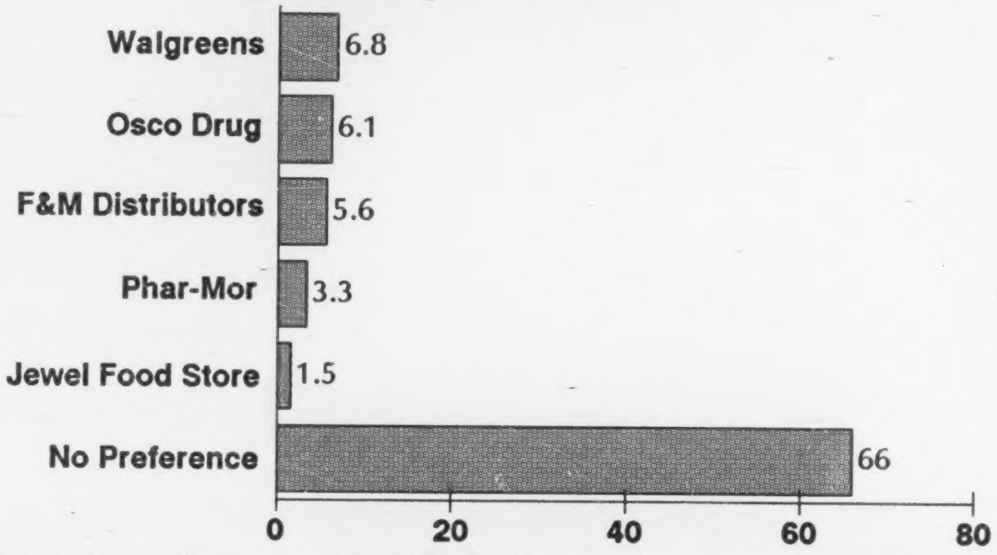
Per capita buying income $10,089.50
Population change in 1989 ....+0.8%
Chicago MSA population ......6.22 million
Population aged 0-15—23.8%; **16-24**—14.0%; **25-44**—31.4%; **45-64**—19.3%; **65-over**—11.5%.

Ethnic breakdown: 71.1% white, 22.3% African American, and 6.5% other

Leading supermarket chains: Jewel, Dominick's, Hillman's, National
Leading discount chains: K mart; Woolworth; Venture; and Zayre

Total retail sales: $44.66 billion
Total drug store sales: $2,028.8 million

Where Chicago Consumers Prefer to Shop for H&BA



Source: Impact Resources, Inc., MART Consumer Intelligence System, Columbus, Ohio.

ATLANTA

ATLANTA AND VICINITY
EAST POINT
COLLEGE PARK

Atlanta's economy is one of the most diverse in the country, with less than 14 percent of all employed involved in manufacturing, 23.6 percent in the service industries and nearly 29 percent working in the wholesale and retail business.

Per capita buying income $9,176.30
Atlanta MSA population ....2.79 million
Population change in 1989 ....+6.1%
Population aged 0-15—24.4%; **16-24**—13.2%; **25-44**—37.2%; **45-64**—16.8%; **65-over**—8.3%.

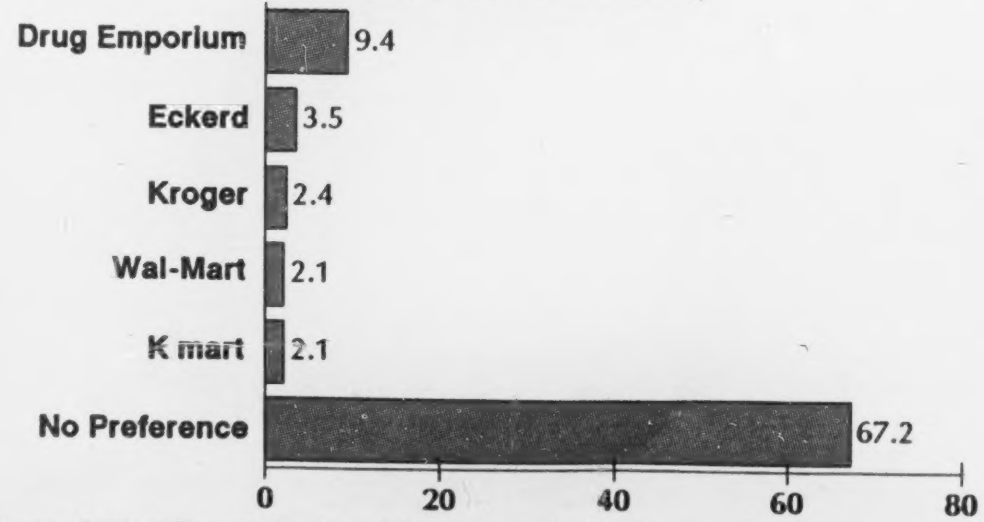
Ethnic breakdown: 74.4% white, 24.6% African American, and 1.0% other

Leading supermarket chains: A&P; Kroger; Winn-Dixie; and Big Star
Leading discount chains: K mart; Gold Circle; Wal-Mart; and Zayre

Total retail sales: $23.83 billion
Total drug store sales: $717.4 million

Where Atlanta Consumers Prefer to Shop for H&BA

(% of consumers older than 14)



Source: Impact Resources, Inc., MART Consumer Intelligence System, Columbus, Ohio.

CONSUMER BRANDS PREFERENCE STUDY

Continued from page 8

in brand preference, but relatively low in brand loyalty: In OTCs, 88 percent of respondents said they had a regular cough/cold brand, but 39 percent said they would shift if it were out of stock, rather than wait until it came in or go to another store to find it. In general merchandise, while 80 percent had a battery brand preference, 43 percent would switch. In toiletries, 94 percent had a regular brand of toothpaste, but 55 percent would switch. Brand loyalty was relatively high for all five cosmetics/fragrance categories studied.

- Across all categories, product attributes — such as Brand I Trust, Habit, Good Past Experience, I Like It (smell, taste, package) — dominated the reasons that consumers with a regular brand said they last bought the product. Benefits — product qualities more closely related to performance, such as Cleans Hair — were the second most important reasons among regular-brand users.

Number of regular cosmetic/fragrance brand users: how six major markets rank

1. Houston
2. Chicago
3. Atlanta
4. Los Angeles
5. Wash., D.C.
6. Boston

Source: Fairfield Research, Inc.

- As one would expect, price mattered much more to brand switchers and consumers who didn't have a regular brand than to regular-brand users. Surprisingly, although advertising/displays played more of a role for brand switchers and those with no regular brand, the percentage of respondents who mentioned these influences was generally low, usually in the 10-17 percent range.
- Based on respondents' input, the survey reveals the top three brands in each of the 21 categories studied. In a separate, smaller survey of 120 store managers in the same six markets, managers also listed what they consider the leading brands in each category, and there is generally agreement on the three top brands per category, with some interesting exceptions. [*See tables on the following pages.*]

Manufacturer efforts key

A world of manufacturers' R&D, marketing and other efforts goes into eliciting a simple utterance such as "I like it" from a consumer to explain a brand preference.

Number of regular general merchandise brand users: how six major markets rank

1. Chicago
2. Houston
3. Boston
4. Atlanta
5. Wash., D.C.
6. Los Angeles

Source: Fairfield Research, Inc.

One marketer for a major packaged goods company said it involves targeting consumers with a holistic marketing plan that includes such components as advertising, promotions, packaging, product supply, the product itself, pricing, shelf-management strategy, display vehicles, sizing, formula and in-use characteristics (lather buildup, fliptop caps and the like).

Building brand loyalty is a vital — and complex — part of H&BA manufacturers' objectives.

"We develop brand loyalty by consistent advertising," said John Byers, senior vp-executive director of trade development for Maybelline. "When you're out there all the time, in TV, radio and print, you develop brand loyalty at a higher level, among new as well as long-time users.

"Other factors are product quality and packaging. We stress good products and rigid quality-control standards. The product has to answer the consumer's needs, and if it does that, it will lead to other Maybelline purchases. The bottom line of this whole thing is quality products that people can afford."

In Byers' view, brand loyalty benefits retailers, too. "It gives them a better chance at repeat customers, and staying in stock helps the store. Shoppers slack off shopping at a store if they find out-of-stocks on the brands they want," he said.

Frank Newman, president of F&M, agreed: "Brand loyalty is quite important to us, because we rely on manufacturers to do a great deal of the marketing for us.

"A manufacturer's main job is to maintain the quality of products. If the product doesn't satisfy, the customer won't keep using it, even if it's highly advertised," he added. "Our job is to make sure the most wanted brands are available and to reinforce the customer's spontaneous desire for products that the manufacturer has developed. We're more concerned with providing product that has been presold by the manufacturer."

"A large number of customers will automatically pick and trust a brand, while there are others who stand there and compare ingredients," said Tim McAlear, president of Pay Less NW. "What we do is take advantage of the P&Gs and Revlons of this world, who spend millions to get this market, and we add to that our advertising programs and instore displays. A drug store is somewhat driven by brand loyalty, based on the nature of the business."

On the other hand, brand switching is media-driven, in McAlear's view. "Consumers do seem to try new things, but I think they often end up going back to their original brand."

But there will always be a segment of consumers who will go elsewhere if their store is out of stock, McAlear maintained. "That's why retailers strive to keep an in-stock position. There are lots of competitors out there carrying the same products, so you'd *better* have the product."

Some marketers have as-

Continued on page 14

Methodology of the study

The Brand Preference Study was conducted by Fairfield Research, Inc., Lincoln, Neb., for *Drug Store News*. The study represents interviews with 600 female consumers 18 years of age or older who shop at least once a month in a drug store. The study was conducted in six major metropolitan areas: Boston, Chicago, Houston, Los Angeles, Washington, D.C. and Atlanta, Ga. The data was collected in May and June 1989, using a telephone survey methodology.

The products included in the study were divided into four overall groups: Over-the-counter pharmaceutical products, toiletries, cosmetics/fragrances and general merchandise. The study focuses on the brand preferences, buying patterns and reasons for brand choice for each of the 21 categories within these four groups.

A separate Store Manager Survey was conducted this fall by Alert Marketing, Waterbury, Conn., which conducted face-to-face interviews with 120 store managers in the same six markets included in the Brand Preference Study. The store managers were asked to rank the leading brands in each of the 21 categories, based on their impressions of what their top selling products are.

HOUSTON

HOUSTON AND VICINITY
HOUSTON

Long considered reliant upon oil, Houston has been helped by the emergence of the Johnson Space Center, which brought high-tech manufacturing and international business to the area. But overspeculation in the construction market earlier in the decade and a drop in the oil industry has sent Houston's economy into a depression.

Per capita buying income $9,423.90
Population change in 1989 . . . . −1.8%
Houston MSA population . . . . 3.29 million
Population aged 0-15—26.2%[1]; **16-24**—14.6%; **25-44**—38.0%; **45-64**—15.1%; **65-over**—6.2%.

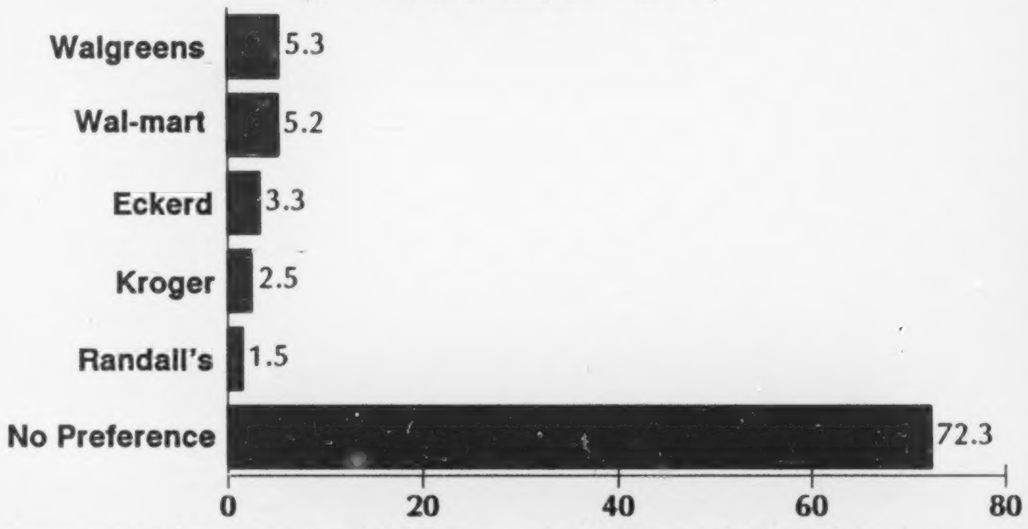
Ethnic breakdown: 72.1% white, 18.8% African American, and 9.1% others

Leading supermarket chains: Safeway; Kroger and Randall's
Leading discount chains: K mart; Target; Wal-Mart

Total retail sales: $25.94 billion
Total drug store sales: $693.9 million

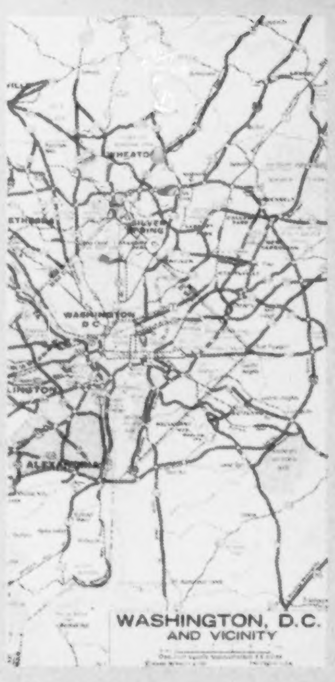
Where Houston Consumers Prefer to Shop for H&BA

(% of consumers older than 14)



Source: Impact Resources Inc.,MART Consumer Intelligence System, Columbus, Ohio.

WASHINGTON, D.C.



Washington's economy relies heavily upon government and business services industries; very little (4 percent of jobs) upon manufacturing. 150 foreign embassies and 20 military facilities are within its boundaries. While 47 percent of the area's 18-and-older population have some college, 21 percent have no high school diploma.

Per capita buying income $11,282.20
Population change in 1989 . . . . +3.2%
Washington MSA population . 3.69 million
Population aged 0-15—21.4%; **16-24**—13.0%; **25-44**—37.9%; **45-64**—18.9%; **65-over**—8.7%.

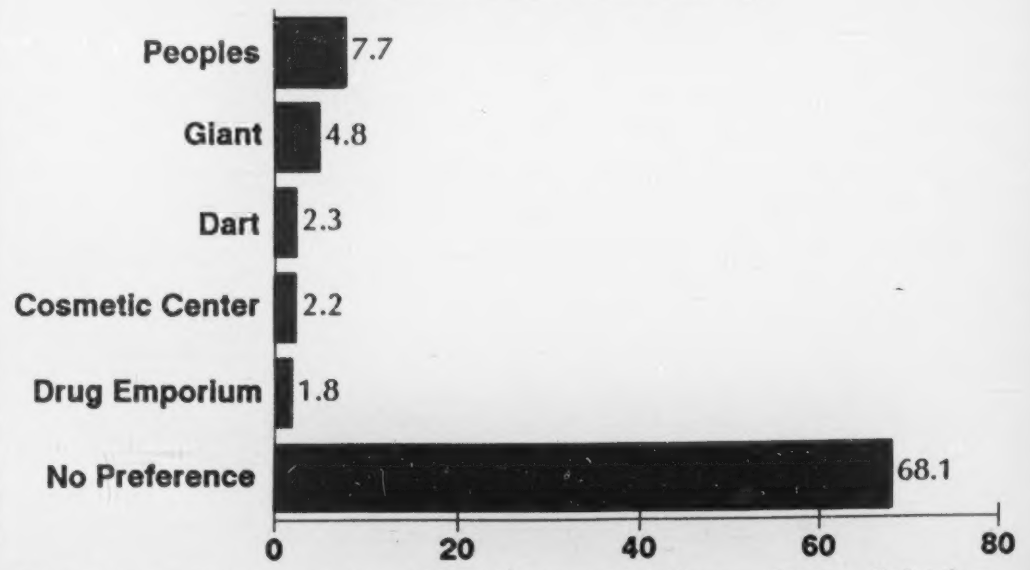
Ethnic breakdown: 69.4% white, 26.8% African American, and 3.8% other

Leading supermarket chains: Safeway and Giant Food
Leading discount chains: Bradlees; K mart; and Zayre

Total retail sales: $31.64 billion
Total drug store sales: $1,182.3 million

Where D.C. Consumers Prefer to Shop for H&BA

(% of consumers older than 14)



Source: Impact Resources, Inc., MART Consumer Intelligence System, Columbus, Ohio.

CONSUMER BRANDS PREFERENCE STUDY

Continued from page 10

serted that brand loyalty has eroded during the 1980s. To that, one marketing executive for a major packaged-goods company responded: "It hasn't diminished, but the set of brands that a consumer finds acceptable has grown: Where there were perhaps three in a set a decade ago, the consumer now may have five or six brand alternatives.

"Some subsegments have experienced more switching during the '80s," he continued, "but other brands have not, mainly because of quality: They offer a technological advantage or a unique benefit to consumers."

Wear-out is another factor affecting brand loyalty in some categories. A product may not deliver the same results after continued use. If a hair conditioner, for example, is used along with a shampoo that doesn't prevent conditioner buildup, the conditioner may not deliver the same benefit the fifth time it's used that it did initially.

"Where products are more personal, you see less switching," said the marketing executive. "If a consumer finds a deodorant that works for her, she's less likely to switch, because the trust is there. It's generally the same with products you put in your mouth. And with hair color."

Added Maybelline's Byers, "We don't see brand loyalty eroding, especially in total cosmetics; in fact, we've noticed a slight increase overall, based on our research. There may be shifts where a category is inundated with new products. Consumers may try a new product, but if it doesn't deliver, they'll come back to the one they were using."

The proliferation of TV channels, magazines and other media advertising opportunities has given large manufacturers with more resources a decided advantage over smaller manufacturers, who can't afford to be everywhere. Some companies with limited resources are turning to the point of purchase and redesigning packaging to attract customers, seeing this as less costly than launching an expensive advertising campaign.

But that's a shortsighted approach, contends one marketer: "If you repackage with no product improvement, the consumer will see through that —they're not stupid. You may build sales initially, but it won't last. Repackaging has to fit into the life cycle of a product. Brands that are going up in share and sales don't get repackaged."

Asked about the survey's finding that advertising and displays appeared to play a subordinate role in respondents' choices, McAlear said that the heavy advertising with which a manufacturer backs the launch of a new product has "a lot to do with sales." But once that blitz stops, whether the product remains a good item depends on its own merits. Only about 20 to 25 percent of customers are pulled into a store during the weeklong period that a retailer's ad runs, he estimated: "The other 80 percent are shopping in the store for other reasons."

One marketer suggested, "Retailers need to understand that if they run promotions only on brands that appeal to price-oriented customers, they are just cannibalizing sales. But if you run promotions on products that have more brand loyalty, you pull in customers and build incremental sales."

In-store displays help stimulate sales among a brand's regular users more than they stimulate trial usage, unless it's an exceptional price, Newman said. If Crest users see a Crest display, for example, they'll tend to buy and possibly even stock up on it. And the retailer may snare some business from competitors who aren't offering that brand on sale.

Product proliferation is probably more frustrating for the retailer than for the consumer, McAlear suggested.

"Most of the me-too products are copies of an important improvement," Newman pointed out. "A manufacturer can't hide his head in the sand; he must be responsive to the innovations another manufacturer makes. Product innovations and line extensions stimulate sales. If there were only six basic shampoos, we wouldn't be doing the business we do. It's a product-driven business. We *relish* new products."

Consumers in *Drug Store News'* Brand Preference Study showed relatively strong loyalty to cosmetics and fragrances choices.

Dual incomes, time constraints strengthen brands' position

Dual-income households and other demographic trends are changing shoppers' buying habits. One marketing researcher suggests that consumers' time constraints will result in more impulse purchases and greater reliance on price and brand in product selection.

Consumers may be busier, but F&M president Frank Newman thinks too much is made of people shopping with a stopwatch. "We don't see people trotting through our stores. We see them reading labels and studying ingredients. Consumers are more intelligent now in deciding what they need and want." In addition, "You have two people shopping now, rather than one. And the biggest impulse shoppers are men."

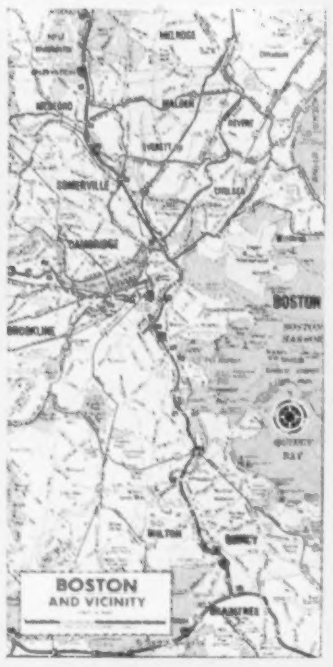
Although Tim McAlear, president of Pay Less NW, agrees that consumers are studying labels as much or more than ever, he sees time constraints as the most dramatic difference between shoppers today and in the past. "People just don't come in to browse anymore. Shopping is not as recreational as it used to be.

"I think they shop a little more often, but they don't buy as much, and they don't come in with shopping lists as much," he continued.

But consumers do tend to lean more toward quality products now, he said. "They're willing to pay more if the value is there, because it's a more affluent society and because they want to get it right the first time. They don't want to have to take something back."

But all in all, "The consumer hasn't changed as much as retailers and manufacturers have begun to listen more, rather than try to lead them," McAlear said.

BOSTON



Boston has the seventh largest labor force (1.8 million) of the top 100 MSAs and one of the lowest unemployment rates in the country. The market's workforce, with its strong educational base, is one of the most skilled in the country. The MSAs colleges and universities not only serve the region, but the national market as well.

Per capita buying income $10,250.00
Population change in 1989 ....+0.2%
Boston MSA population ..... 3.77 million
Population aged 0-15—20.9%; **16-24**—14.5%; **25-44**—32.1%; **45-64**—19.4%; **65-over**—13.1%.

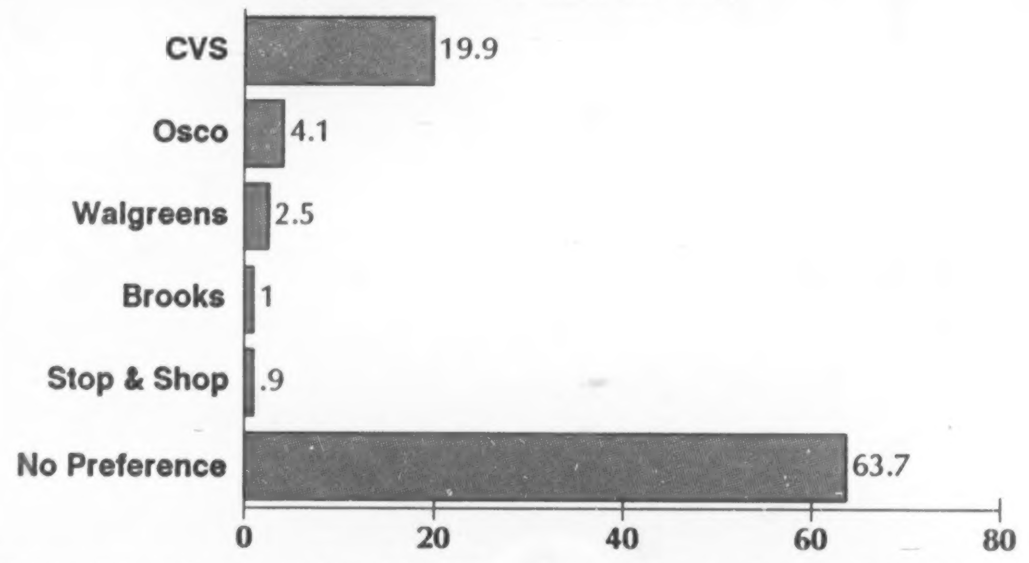
Ethnic breakdown: 92.7% white, 4.7% African American, and 2.5% other.

Leading supermarket chains: Stop & Shop; Demoulas; Purity Supreme; and Star Market
Leading discount chains: Zayre; Bradlees; Marshall's; and K mart

Total retail sales: $33.48 billion
Total drug store sales: $1,110.5 million

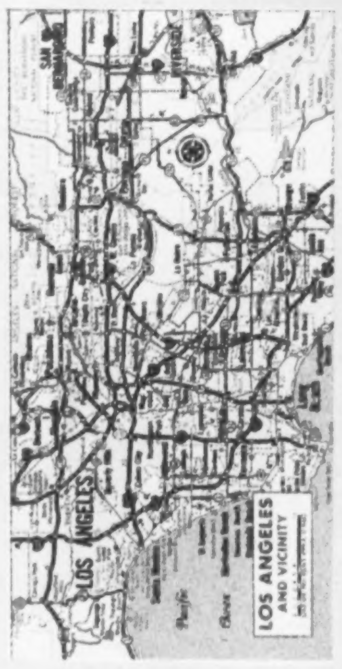
Where Boston Shoppers Prefer to Shop for H&BA

(% of consumers older than 14)



Source: Impact Resources, Inc., MART Consumer Intelligence System, Columbus, Ohio.

LOS ANGELES



Los Angeles has replaced San Francisco as the capital of finance and trade for the Western U.S., due to its heavy commercial traffic with Pacific rim industrialized countries. Nearly 4 percent of all jobs (4 million) in the nation take place here.

Per capita buying income $8,604.40
Population change in 1989 ....+4.3%
Los Angeles MSA population . 8.73 million
Population aged 0-15—23.6%; **16-24**—14.8%; **25-44**—33.2%; **45-64**—18.1%; **65-over**—10.4%.

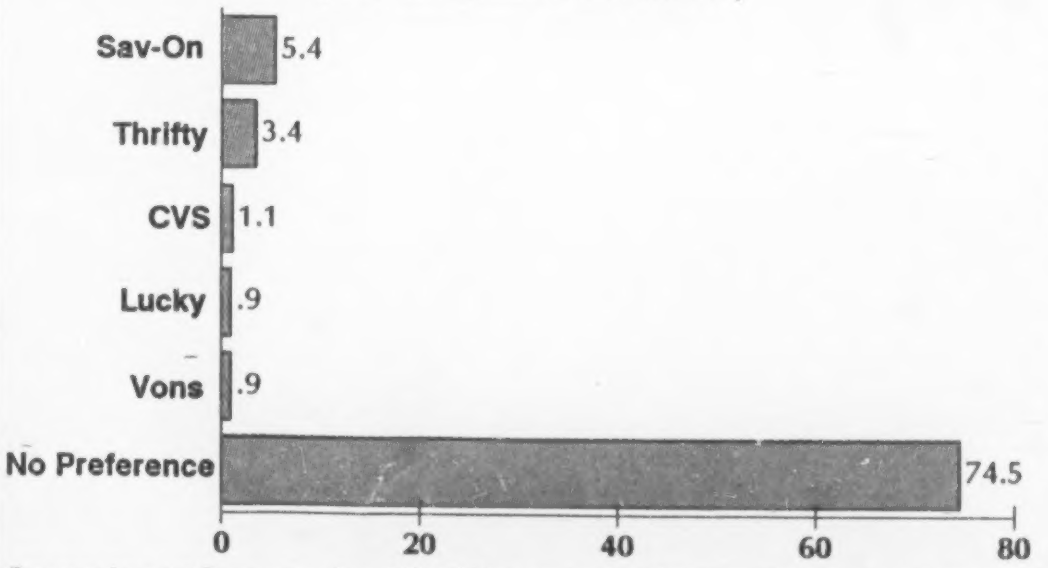
Ethnic breakdown: 68.7% white, 12.6% African American, and 18.7% others.

Leading supermarket chains: Alpha Beta; Safeway; Ralphs; Von's and Albertson's
Leading discount chains: Target; K mart; and Price Club

Total retail sales: $67.77 billion
Total drug store sales: $2,613.9 million

Where L.A. Consumers Prefer to Shop for H&BA

(% of consumers older than 14)



Source: Impact Resources Inc., MART Consumer Intelligence System, Columbus, Ohio.

Women making a purchase from certain brands of pantyhose weigh the brand's product benefits heavily in their decision. A good fit, durability, and stylish shades are considerations.

Hosiery's customer base has strong brand loyalty

In the general merchandise category, nearly seven in 10 women would not purchase another pair of pantyhose if their regular brand wasn't available in their local drug store.

Women, when buying their favorite hosiery item, weigh the product benefits of the brand more heavily than, say, for a toothpaste purchase. One-third of the total sample included product benefits, such as "fits better/doesn't sag," "doesn't rip/run as easily," and "looks good/feels good" as reasons for their brand choice.

Nearly 60 percent of the total sample said the brand's attributes, including a trusted brand, good past experience with the brand, and purchasing habit, were major reasons they bought their favorite hosiery brand.

The top three hosiery brands preferred by women in Atlanta, Boston, Chicago, Houston, Los Angeles, and Washington D.C. were L'eggs, followed by Hanes, and No Nonsense.

It's interesting to see Hanes as the second most preferred brand with drug store consumers in these markets, but this preference highlights the fact that department store hosiery styles are continually filtering down into the mass market sectors. And, women who want the department store styles but don't have the time to shop these outlets will buy this brand in the drug stores that carry it. Store managers did not mention Hanes as one of their most preferred brands.

L'eggs, the brand most preferred by women consumers and store managers, is highly recognized for its egg-shaped packaging design. The company recently introduced a shelf-edged interactive computer, called the Pantyhose Advisor, to 2,000 drug and food stores.

Women can input data into the computer in the store and get detailed recommendations about their individual hosiery style. The company hopes the unit will encourage women to trade-up to higher-quality L'eggs styles.

No Nonsense was chosen as the number two most preferred brand by store managers and was the third most preferred brand.

Chain drug stores' private label hosiery offerings that combine quality and savings ranked high among women in these markets. Store brands were those brands purchased must often by 9.3 percent of the total sample in the study, slightly higher than the percentage of women who chose No Nonsense as their favorite brand.

Store managers' brand preferences: hosiery

(% mentioning brand)

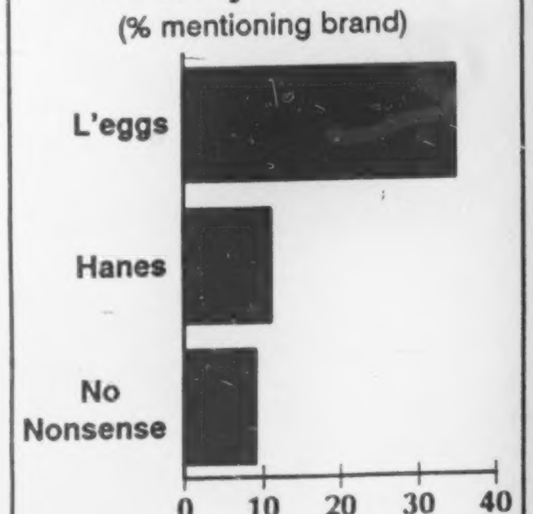
L'eggs	**50.0%**
No Nonsense	**30.8**

Note: Only two national brands received mentions. House brands made up most of the rest.

Source: Alert Marketing, Inc.

Consumers' favorite hosiery brands

(% mentioning brand)



Source: Fairfield Research

WE MADE A NICE CHANGE IN HOW IT WORKS.

A NICE CHANGE IN HOW IT FEELS.

New
Anti-Bacterial
The Moist Towelette that Kills Germs
Anti-Bacterial Formula with Moisturizer
Nice'n Clean
Moist Towelettes
24 SOFT CLOTHS 5"x 8"

A NICE CHANGE IN HOW IT LOOKS.

WHICH ADDS UP TO A NICE PIECE OF CHANGE. FOR YOU.

We've made a nice change in the moist towelette business. Expanded the market and extended the selling season.

Research shows today's consumer doesn't want wet or dry as much as she wants clean. Anti-Bacterial clean. So, Nice-Pak, America's largest producer of moist-towelettes, is giving you and your customers new Anti-Bacterial Formula Nice 'n Clean. It will explode the already dynamic moist-towelette market with its nice, clean changes.

New Nice 'n Clean works a whole new way: it kills germs on contact! Makes the clean sweep that counts!

New Nice 'n Clean feels a whole new way: it moisturizes skin! Soothes and smoothes. And, is luxuriously soft – yet super-strong!

New Nice 'n Clean looks a whole new way: new, clean packaging for greater brand-name registration! New pegged pack so you can clean up all over the store with impulse sales -- from picnic to travel to baby to HBA to school to check-out.

New Nice 'n Clean extends selling to the flu and cold season! With targeted, major advertising support year-'round.

New Nice 'n Clean more than doubles your profit! You've got wet and you've got dry. Now, start clean. Call Bill McLauthlen, 1-800-NICE-PAK. And see the nice change in store for you with Nice 'n Clean.

Nice'n Clean
Nice'n Clean
Nice'n Clean

NICE 'N CLEAN THE CLEANEST WAY TO FIGHT DIRTY.

NICE-PAK PRODUCTS, INC. ORANGEBURG, NY 10962-1362, FAX 914-365-1717 © 1989

Performance, price charge battery buying

Performance, price and past experience are all considered by consumers when they buy batteries, *Drug Stores News*' Consumer Brands Preference Study shows.

Chain buyers often maintain batteries are commodity-type products. Thus, consumers respond mostly to price and impulse displays. Stores have heavily adopted off-shelf promotions to cater to this.

Yet, merchandisers add, brand name is important to an extent: The brand has to be either Eveready, Energizer or Duracell. These brands have dominated the drug store channel, in part through the clout they've built with consumers. Their aggression has equally endeared them to store managers, who reap high margins and rapid sell-through.

The vendors are spending millions of dollars a year in tooth-and-nail efforts to project distinct brand characteristics for the products. Long life has been the main theme.

Thirty-four percent of consumers named Duracell alkaline batteries as their favorites. Ralston-Purina's zinc-carbon Eveready plus the Energizer alkaline line gained a total of 41.2 percent, with 15 percent naming the Energizer. Store managers even more strongly favored the two leaders.

Both vendors have benefited this year from their television adds employing toys to convey the assertion the batteries last longest. This is a key feature that consumers respond to, industry execs say.

Eveready's "bunny" ad, launched in October 1988 on the heels of similar Duracell toy ads, sparked wide consumer response. That enthusiasm has continued with the October 1989 launch of the innovative 60-second "bunny" series in which the rabbit disrupts several simulated commercial spots. Eveready has since launched a promotion in which each store will receive a bunny to auction off to consumers.

Duracell's different tack has been to educate the consumer on battery shelf life through TV ads. Vendors now promote the "freshness dating" on packaging, also.

While this emphasis on product attributes is seen as key, price is apparently no less important. The leaders continue to offer a constant stream of coupons and rebates. Eveready took a new angle this spring by offering premium values of free batteries, or "instant gratification," with two free double AAs in a six pack, and one free C or D in a three-pack.

A high number of consumers mentioned price as the reason for making their brand choice — 23 percent of the total (with 12 percent saying lowest price was the buy-inducing reason.)

A high percentage — 15 percent — said they bought the batteries because "they last longer." Only 1 percent, in contrast, said they made the decision based on the "Copper Top," the Duracell battery which the company has attempted to highlight.

After price and perceived product benefits, brand attributes gained less mention than with some other drug store items. The top attribute was good past experience, cited by 31 percent of those who said they are brand loyal.

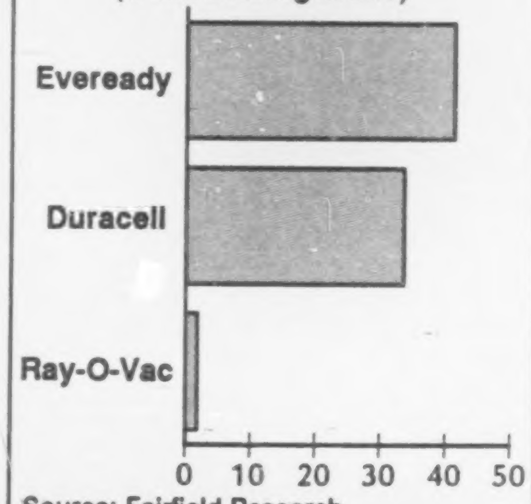
Though 80 percent of consumers said they purchase a regular brand, 43 percent said they would buy a substitute if the regular brand were out of stock. That was the highest percentage in any general merchandise category surveyed, and supports the view of batteries' commodity character.

The survey indicates that Ray-O-Vac, despite a recent push into the drug store channel with its Smart Pack configuration, still has a way to go. It also seems to reflect the stagnation of the Kodak battery that some drug chain buyers report.

Even though last year Kodak integrated its battery and film sales forces, the company's strategy of underpricing Eveready and Duracell hasn't paid off in better market share. After three years, it's still losing money on the business, one industry source asserted.

Consumer's' favorite battery brands

(% mentioning brand)



Source: Fairfield Research

Store managers' brand preferences: batteries

(% mentioning brand)

Duracell	43%
Energizer	28
Eveready	18

Source: Alert Marketing Inc.

ORLY
NEW!
The refillable nail glue dispenser that everyone is asking for
ORLY One Drop NAIL GLUE DISPENSER .11 fl. oz. (3 gm.)
Patent Pending
One Drop™
NAIL GLUE DISPENSER
Dispenses the perfect amount of glue
...one drop at a time
• Non-clog applicator tip
• Refill cartridge sold separately
Orly International Inc. (800) 322-ORLY
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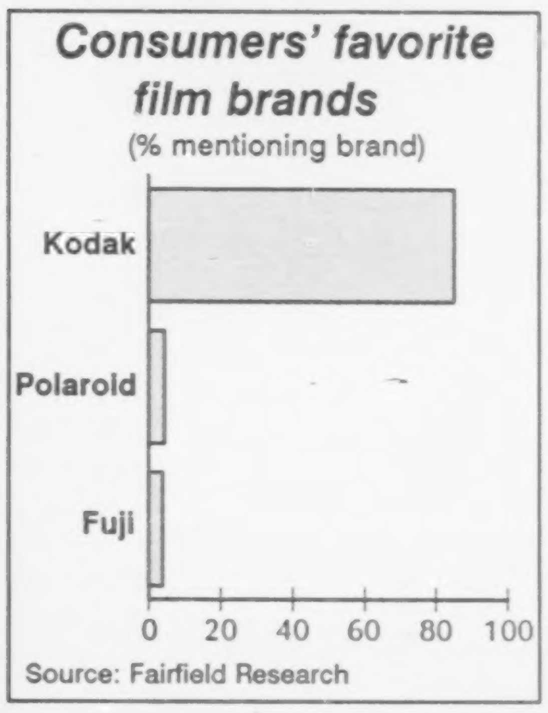
Top labels are preferred by nation's shutterbugs

Among film buyers in *Drug Store News'* 1889 Consumer Brands Preference survey, 95 percent said they purchase a regular major brand — the highest score among all categories surveyed. And Kodak was overwhelmingly the brand preferred by consumers.

Indeed, Kodak shows no sign of losing its overwhelming franchise in drug stores in a year when Polaroid entered the 35mm film business for the first time, and the trend to 35mm photography in general built steam.

Kodak was named as the favorite brand by 85 percent of consumers. Fuji, which by some estimates has as much as 12 percent of market share in film, garnered just 4 percent of consumers' votes. Polaroid received 4 percent on the strength of its instant film; its OneFilm 35mm entry launched in April wasn't on shelves long enough to make an impact by mid-year when the survey was taken, industry sources agreee.



Source: Fairfield Research

Kodak was just as warmly embraced by store managers, who have benefitted from frequent full pricing on film, led by Kodak, and multi-pack promotions that have raised register tallies while keeping sales rolling. Of store managers, 86.7 percent said Kodak is their preference for leading brand honors.

With film merchandising there often seems to be a tug of war between quality and price. Amateur photographers want assurance the film they use will make the best possible picture, and they also want a film processing service that will faithfully preserve their efforts.

Yet, once satisfied on the quality issue, consumers have a great appetite for values. Thus film is one of the most actively promoted drug store categories. Hammered regularly in circulars, film is also become more prominent in accessible self-serve store displays, where chains will discount the top-moving speeds and fish for impulse sales.

Chains which have built consumer trust have had much success with private label film. Such in-house film accounted for nearly 15 percent of drug chains' film/photo circular advertising in the key summer and Christmas seasons last year.

Film is a year-round performer, with purchases not tied to the seasons. The key events which spur film sales are special events: the arrival of children in a family, when the photographer has purchased new or better camera equipment, and travel, recent surveys have found.

The rise of the point-and-shoot 35mm cameras has added fuel to the fire by providing amateurs with the quality of the 35mm format without the need to acquire extensive photography skills. Chains strengthen their photo business by selling these cameras at under $100 price points.

There's ample opportunity for high-margin sales once the store has built a value and quality image.

Continued on page 29

KODACOLOR Gold Film
KODACOLOR Gold Film

A dump bin advising shoppers to "buy now" suggests a value offer for film in this Smitty's food and drug store in Phoenix.

THE RUMORS ABOUT EAT 'N LOSE® ARE TRUE.

TRUE. Eat 'n Lose is a success. It's now the second leading meal replacement product. Our CCA Industries Annual Report for 1989 will have the good news. Eat 'n Lose sales made a significant contribution to one of our most successful years.

TRUE. Eat 'n Lose builds business. We believed Eat 'n Lose would be an important factor in expanding your diet aid sections and sales. And you proved it. That there's room for more than one product line to meet the immense market potential for meal replacement products.

TRUE. Eat 'n Lose is unique. The formulation was developed by Dr. Gio Batta Gori, founder and first Director of the Diet, Nutrition and Cancer Program of the National Cancer Institute. Our new Ultra Eat 'n Lose contains more vitamins and fiber than any other competitive product. Including stress formula vitamins and a patented blend of 7 natural fibers. And every Eat 'n Lose package contains another exclusive: a High Energy Exercise Program.

TRUE. Eat 'n Lose is growing. We're moving ahead in weight loss products with the most advanced nutritional formulations possible at highly competitive prices. New for 1990 will be line extensions from crunch snacks and nutrition bars to A-septic drinks and puddings. And we'll introduce a new breakthrough meal replacement formulation on nationwide TV.

FALSE. Any other rumors you may have heard about Eat 'n Lose.

Our thanks to all those retailers who plan-o-grammed and promoted Eat 'n Lose in 1989. And a "sorry about that" to those who gave in to pressure from our competitors and missed out. Next year, expand your diet section and sales.

Win with Eat 'n Lose in 1990.

Ultra
$1.00 MAIL-IN REFUND ON THIS PURCHASE
Eat 'n Lose
The Most Delicious, Natural Way To Lose Weight Fast with Pep & Energy!*
Thicker, More Delicious Rich Chocolate
ULTRA: 2 Cans of Meal Replacement
BUY ONE GET ONE FREE
More Fiber and Protein And Vitamin Enriched
• The Most Filling HIGHEST FIBER BLEND
• Maximum Protein & Stress Vitamins
• Creamy Smooth, Not Gritty Like The Other Brand
• *Pep & Energy Plan for Healthy Weight Loss
Greatest Appetite Satisfaction for Greatest Weight Loss

CCA Industries, Inc.
200 Murray Hill Parkway
East Rutherford, NJ 07073
Phone (201) 330-1400
Toll Free (800) 524-2720
Fax (201) 935-0675

FILM PROCESSING
K&B

The film processing drop-off counter is highlighted by a ceiling sign over a front-of-store aisle in this K&B Drugs store.

Top labels preferred by nation's shutterbugs

Continued from page 27

Kodak can sell at a full price. The price point for a three-pack, for example, will typically be $2 more than Fuji, according to chain drug buyers.

The consumer survey supports this, as price was named by only 11 percent as a reason for making a purchase. Brand attributes such as "trust" and "good past experience" were much more important, as was simple "habit."

Drug chains have performed better than anyone in exploiting consumers' quality concerns by building their image of expertise, and emphasizing the processing side. A 1988 consumer preference survey by the Photo Marketing Association found that 43 percent of consumers polled named drug stores as the preferred source for photofinishing. In a survey that gave multiple responses, discount stores came in a distance second with 27 percent.

Kodak scored big in drug stores this year with its "ColorKins" promotion in which consumers who purchased Kodak items accrued points that they used to qualify for four stuffed animals. "I've never seen such [store] support in advertising and display," noted an observer.

Consumers were won over by the stuffed animals. The stores had the chance to bundle Kodak products such as a camera (worth ten points), and camera batteries (one point) and film (one point per roll).

Multipacks are a continuing source of retailer enrichment, and a top Kodak seller this year was its discounted three-pack with 12 free exposures.

Despite the excitement over 35mm photography, the Kodak brand, particularly in drug stores, also captures a high percentage of sales in disc and 110 format film. These formats still account for as much as 25 percent to 30 percent of drug stores' film business, as consumers in some cases continue to get mileage out of older cameras whose styles are no longer in production.

The Photo Marketing Association found in 1989 survey that while 58.6 percent of households used 35mm film, 35.7 percent used 110, and 19.7 percent used disc.

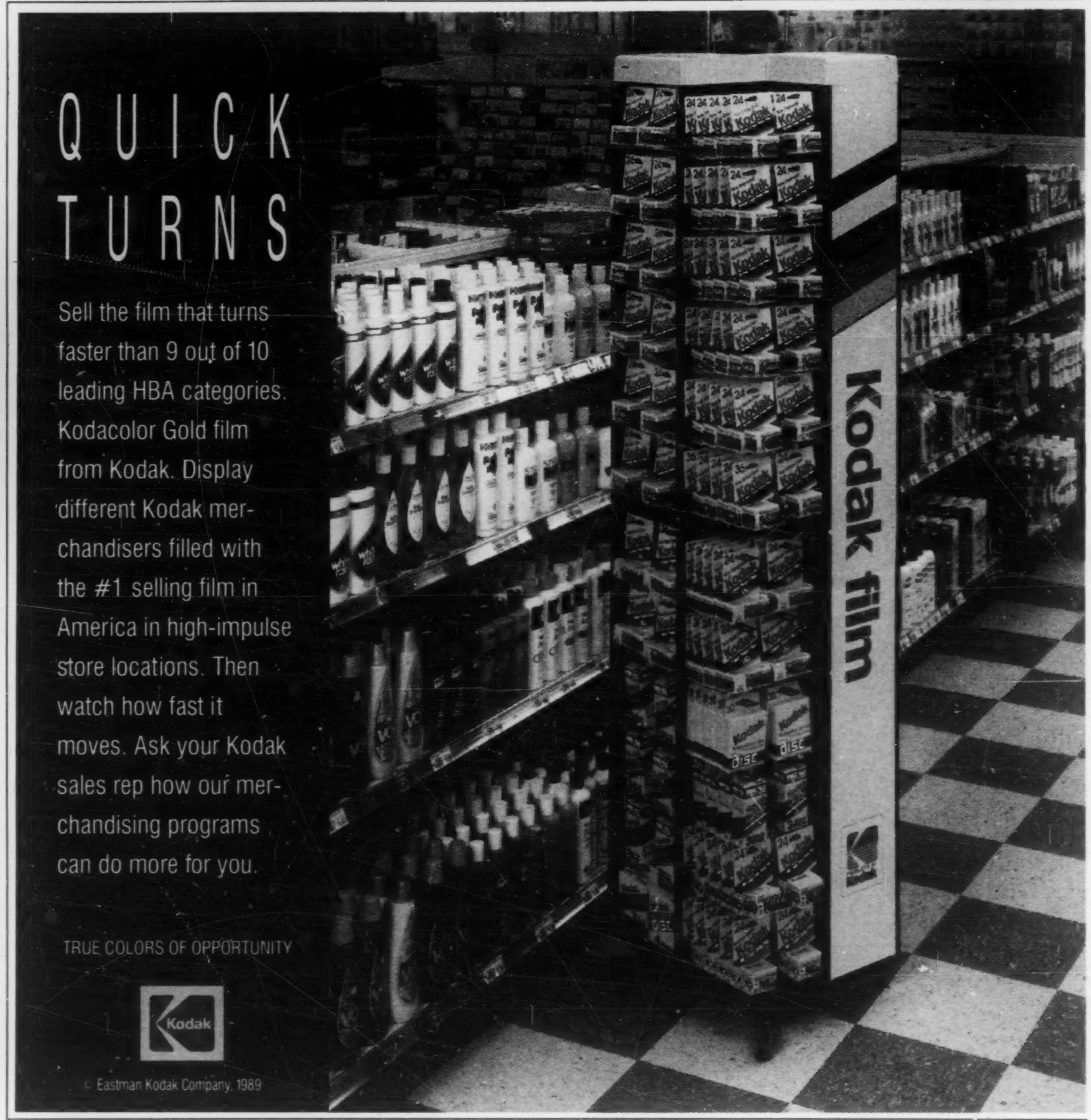
Chain buyers expect film to provide steady growth ahead. Almost two-thirds of film buyers are women, the major class of drug store shopper. Perhaps more importantly, Americans who own cameras continue to use them. The PMA reported last year that virtually all of the 92 percent of U.S. households that own a camera purchased film over the previous 12 months.

Store managers' brand preferences: film

(% mentioning brand)

Kodak	86.7%
Polaroid	7.5
Fuji	4.2

Source: Alert Marketing, Inc.



QUICK TURNS

Sell the film that turns faster than 9 out of 10 leading HBA categories. Kodacolor Gold film from Kodak. Display different Kodak merchandisers filled with the #1 selling film in America in high-impulse store locations. Then watch how fast it moves. Ask your Kodak sales rep how our merchandising programs can do more for you.

TRUE COLORS OF OPPORTUNITY

Kodak

© Eastman Kodak Company, 1989

Cellebrities

A Full Line of Performers From Panasonic.

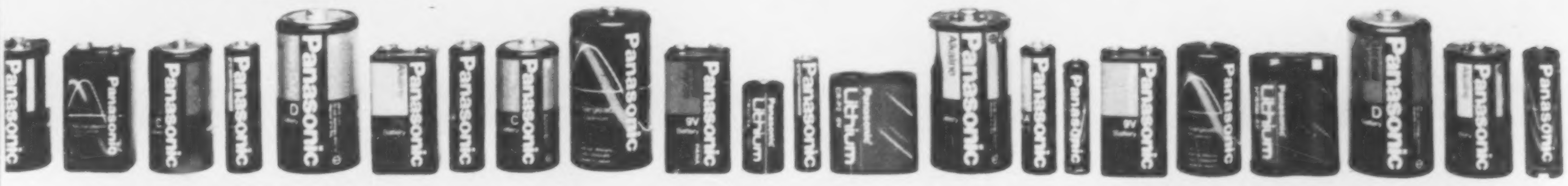
Announcing the all-star cast of batteries for every consumer use. Brought to you by Panasonic. For when the show has to go on... And on. The most complete line in the business. And the selling power of the Panasonic name appeals to more lifestyles than just the rich and famous. When you want the best selection for your customers, stock Panasonic.

The Power Behind the Name. Panasonic Batteries.

Call our Battery Hotline at 201-392-4675 for more information.

Panasonic
Industrial Company
BATTERY SALES DIVISION

Panasonic
Rechargeable
Panasonic
Alkaline



Alkaline • Rechargeable • Lithium • Heavy Duty • General Purpose • Photo • Watch • Hearing Aid

Shades, packaging influence purchases of color cosmetics

Lip, eye and face makeups are all considered "fashion" categories, categories that help women realize their most cherished fantasies, so you would expect that women would be much more experimental, switching their favorite cosmetic brands almost as often as they switch shades.

However, our consumer brand survey found that was not the case.

Just two out of 10 women will switch from her favorite brand.

For brand shifters, the strongest incentives were price and, even more important, color and packaging.

Packaging and colors

Women can be lured by a bargain in the fashion categories, but they're even more susceptible to pretty colors and packaging. The companies that make the brands with the strongest consumer loyalties in the survey, Revlon, Maybelline, and Cover Girl, are all very careful about their packaging. Each of these lines has packaging that pops off the shelf, and their product managers do outstanding jobs with promotional packages and pre-packs.

Yet while superior packaging or a good price/value relationship will help induce a trial sale, consumers who use lip, eye and facial makeups are looking for a name they can commit to.

They want to be brand-loyal shoppers because they want to feel sure that when they use a lipstick or a face makeup, it will be right for them. And to feel that sense of security, women have to trust the brands they buy.

Product benefits are not really an issue with this consumer. Women don't have to be sold on lip, eye or face makeups. They know these products have benefits for them. The question they have to settle is which brand to buy.

The amount of advertising women are exposed to, as well as their familiarity with the line's name and with the product's accessibility, all have a lot to do with the choice they finally make, as one would expect.

Names like Maybelline, Revlon and Cover Girl have been around for years, and they have long ago become names that women felt they could trust.

Among the three, Revlon is the least available on the mass market, being still primarily a prestige line whose distribution is basically limited to drug and department stores. But the Revlon name and its cosmetic heritage is so well established and so carefully cultivated by marketers that its position of dominance in the popular mind or the mass market is assured.

Maybelline is particularly strong in the eye category, especially among heavy users of mascara and eye shadow products. Both Maybelline and Cover Girl still have a strong following with young women, especially teens and preteens. Revlon is the brand they often move to as they get older.

Our findings suggest that while brand-loyal shoppers will probably stock up when a retailer promotes or advertises these lines, the ad may not be as successful in inducing new users to try the line. Only 2 percent of our sample said they'd buy a brand because it was on sale.

Retailers who want to get brand-loyal shoppers to develop a second preference, a sort of "wardrobe" of brand favorites, should work with manufacturers to create promotions that would develop trust in the brands being advertised.

Store managers' brand prefernces: nail color/polish

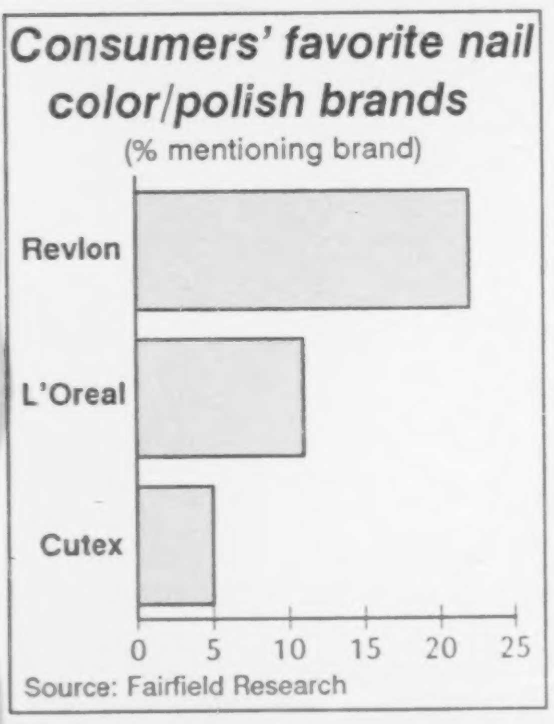
Revlon	45%
L'Oréal	15
Cutex	9

Source: Alert Marketing, Inc.

Store managers' brand preferences: lip, eye or face make-up

Cover Girl	31%
Maybelline	28
Revlon	23

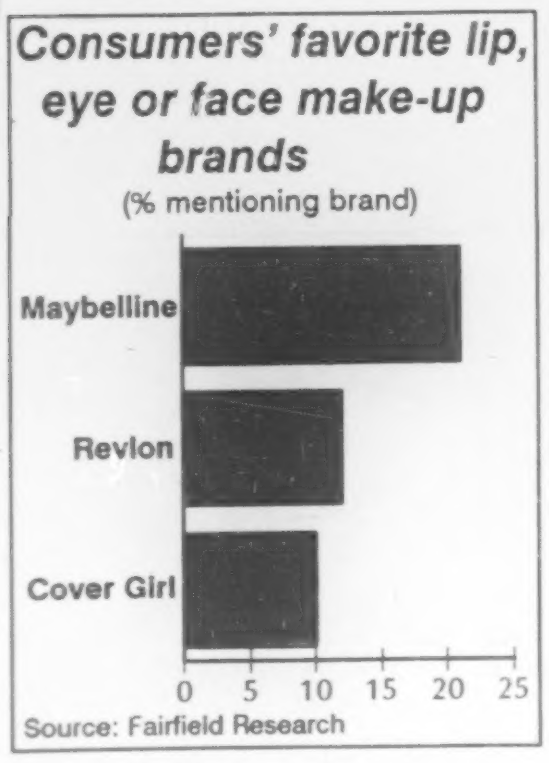
Source: Alert Marketing, Inc.



Consumers' favorite nail color/polish brands

(% mentioning brand)

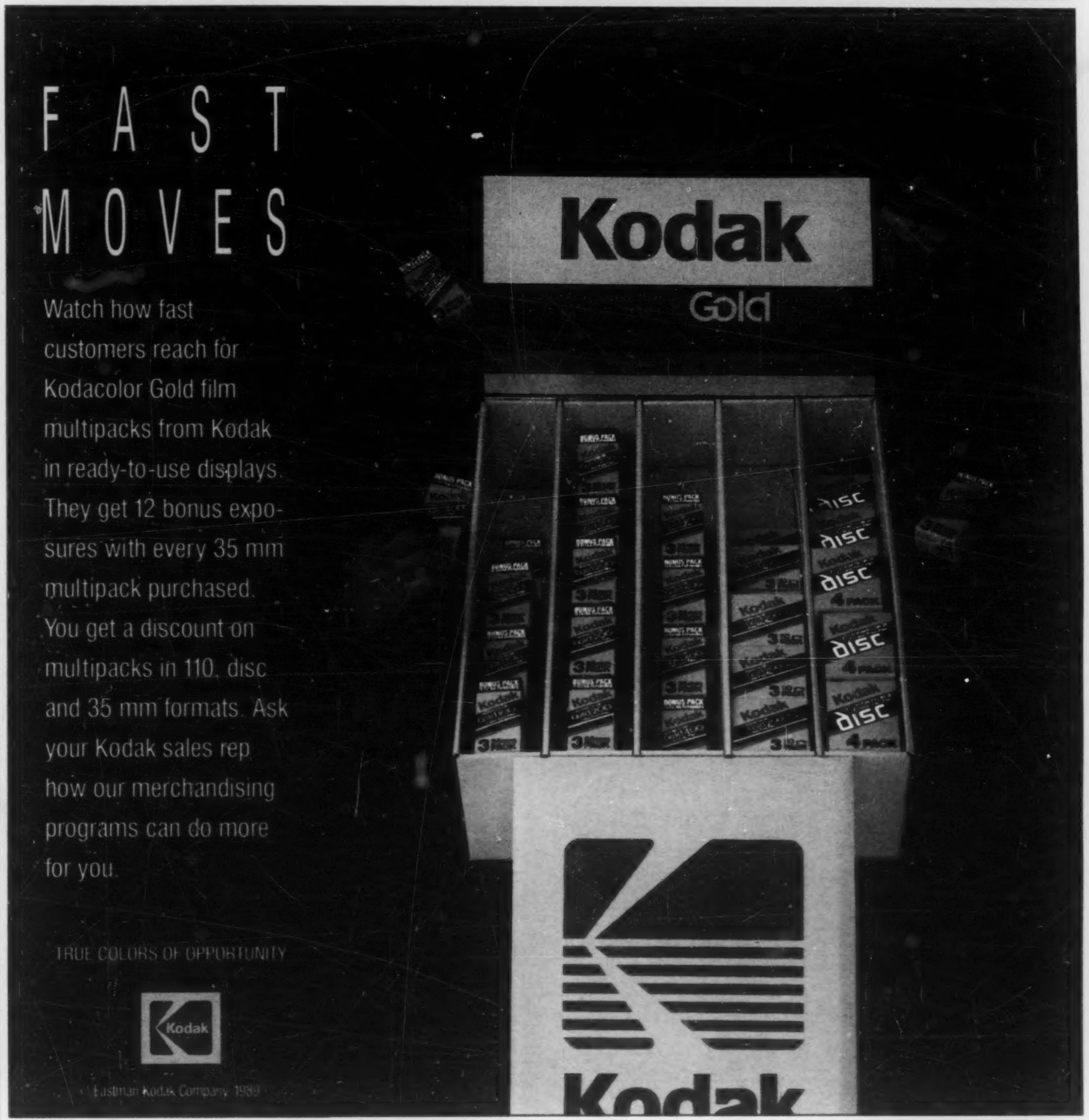
Source: Fairfield Research



Consumers' favorite lip, eye or face make-up brands

(% mentioning brand)

Source: Fairfield Research



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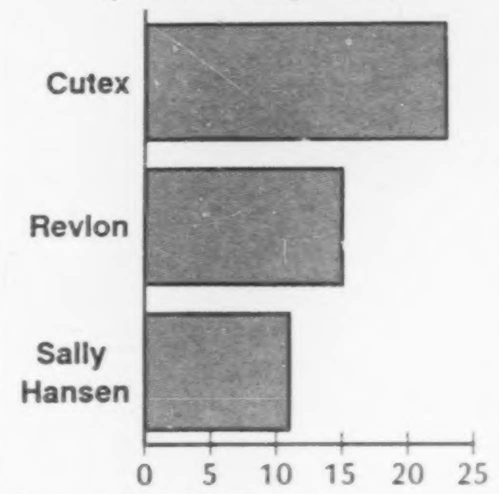
Nail care items: Consumers try it, like it & stick to it

Consumer's' favorite nail treatment brands
(% mentioning brand)



Source: Fairfield Research

When consumers find something that works, they stick with it, especially in remedial and fashion categories like nail treatments and nail polish.

Just 10 percent of all women who use nail treatment products will shift brands, and that is primarily because it seems to take women months, even years, to find a nail treatment product that works for them.

Among treatment users, "good past experiences" is what keeps them loyal to a brand. Twenty-six percent of our treatment users gave this response, and another 21 percent said they had a favorite because they trusted the brand.

Among treatment brands, Cutex, which has a solid reputation based on the success of its polish remover products, has the largest consumer following. Twenty-three percent picked Cutex as their favorite brand for treatments and miscellaneous nail care items.

Revlon, which has an especially strong franchise with polish users, was the second most frequently preferred treatment brand. Consumers also respect Revlon for its innovation and break-through formulas, many of which have recently been in the treatment categories.

Sally Hansen was the third most often preferred treatment brand.

Sally Hansen has done an outstanding job educating consumer about the treatment benefits of their brand, and the line also has a reputation for delivering what the ads promised.

Store managers pretty much agreed with these assessments. They also picked these three lines, and their reasoning was simple: "They sold the best."

In the nail color/nail polish category, we also encountered a strong loyalty factor among consumers. Only 23 percent said they would be willing to switch from their favorite color brand.

However, unlike nail treatment users, nail color users can be tempted by price reductions or good sales values. Without risking any damage to nails or cuticles, color users feel freer to experiment when a good sale presents itself.

Color and polish

Among color and polish users, Revlon is a strong favorite, named as the preferred brand by 22 percent of our respondents. In addition to its extensive advertising in this category, Revlon has a name that most consumers respect, and polish users obviously have a high degree of trust in that name.

However, L'Oréal has also done an excellent job of positioning its color lines as premium products, comparable in quality and performance to more expensive department store lines.

Store managers' brand preferences: nail treatments

Cutex	41%
Revlon	26
Sally Hansen	18

Source: Alert Marketing, Inc.

For the more value-conscious shopper who still insists on quality, Maybelline, Cutex, Cover Girl and Sally Hansen have all successfully positioned themselves as viable alternatives.

Store managers agree with that assessment. They picked Revlon, L'Oréal and Cutex as top lines, with Sally Hansen and Maybelline also cited. They said they felt customers liked these lines best because of their large assortments.

Among nail color users, price is a somewhat important factor in motivating a purchase. Nineteen percent of our respondents said they selected their favorite brand on the basis of price. However, trust was also important here in establishing a preference and so was positive past experiences.

Color was also extremely important here. If a line can't deliver the right selections, it won't stay a favorite for long. Twenty-eight percent of all users said they bought a brand because they liked the color.

Display promotions

It was surprising, considering how often retailers display nail color pre-packs on end-caps and counters, that just 2 percent of all consumers said they bought a brand because they saw it in a display.

Possibly consumers regard color pre-packs as just another store location. Or the pre-packs lead them to the wall to look for other colors.

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Women loyal to hair color brand, shampoo picks vary

Female drug store consumers polled in six major U.S. markets told *Drug Store News* about varying degrees of brand loyalty to the shampoos, hair coloring products and hair styling aids they use.

The strongest brand loyalty was expressed by hair color users: 93 percent of the sample said they would not buy another brand if their regular hair color brand was out of stock.

Women entering middle age are fueling the growth of the hair coloring segment in drug stores. Survey results reveal only 6 percent of the total respondents mentioned price as a factor of their favorite brand. Rather, 68 percent of the total sample looked to the brand's product attributes.

Store managers' brand preferences: hair color

(% mentioning brand)

Miss Clairol	**48.3%**
L'Oréal	**20.8**
Dark & Lovely	**3.3**

Source: Alert Marketing

Coloring favorites

Consumers chose Clairol as their favorite brand, followed by L'Oréal. Store managers mirrored consumers' hair color brand preferences in these selected markets. Among brand attributes, 20 percent of the total consumer sample said they chose their favorite brand because they liked its hair color shade and the packaging.

As the leading hair color brand, Clairol has built its image by spending over $100 million each year on promotions, advertising efforts and educational programs.

Store managers' brand preferences: hair styling aids/gels

(% mentioning brand)

L'Oréal/Studio Line	**24.2%**
Clairol condition	**20.0**
Aqua Net	**16.7**

Source: Alert Marketing

With the installation of Clairol's Shade Selector Computer in certain retail outlets, women can enter basic information and get a personalized brand and shade "prescription" to meet individual needs. This computerized aid to shoppers helps Clairol reinforce its category leadership.

However, *Drug Store News* reported that L'Oréal's Preference is growing at a stronger rate this year than last. Hair care buyers attributed this to the company's increased advertising of this product, suggesting women "are worth it." Carsons Products' Dark & Lovely rounded out the top three hair color products. Dark & Lovely is popular with blacks and Hispanics who want darker, richer hues for the 1990s.

Hair styling aids

Seventy percent of the consumer respondents are loyal to their favorite brand of hair styling aid/gel. In drug stores, hair sprays are surging again, while growth rates for gels and spritzes are starting to slow as these segments stabilize in sales. Mousse sales are still flat, but alcohol-free formulations and extra-holding mousse formulations are doing better than the category as a whole.

This year consumers chose Clairol condition* as their favorite brand, followed by Aqua Net, Final Net and L'Oréal.

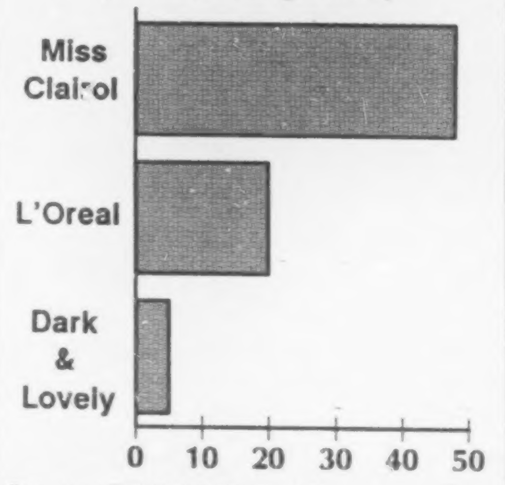
In comparison, store managers ranked L'Oréal as the top hair-styling aid brand, followed by Clairol condition* and Aqua Net.

This year's trend was to softer, less sculpted hair styles — those that have more volume and add body —

Continued on page 40

Consumers' favorite hair color brands

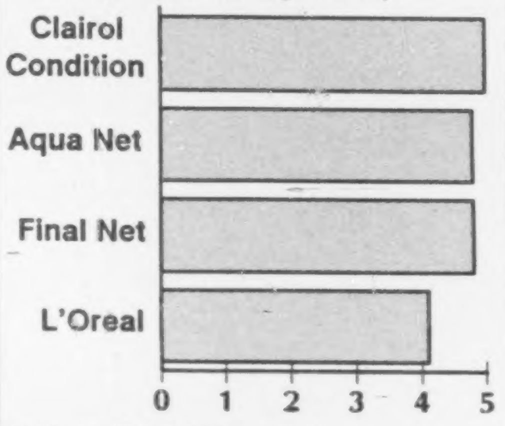
(% mentioning brand)



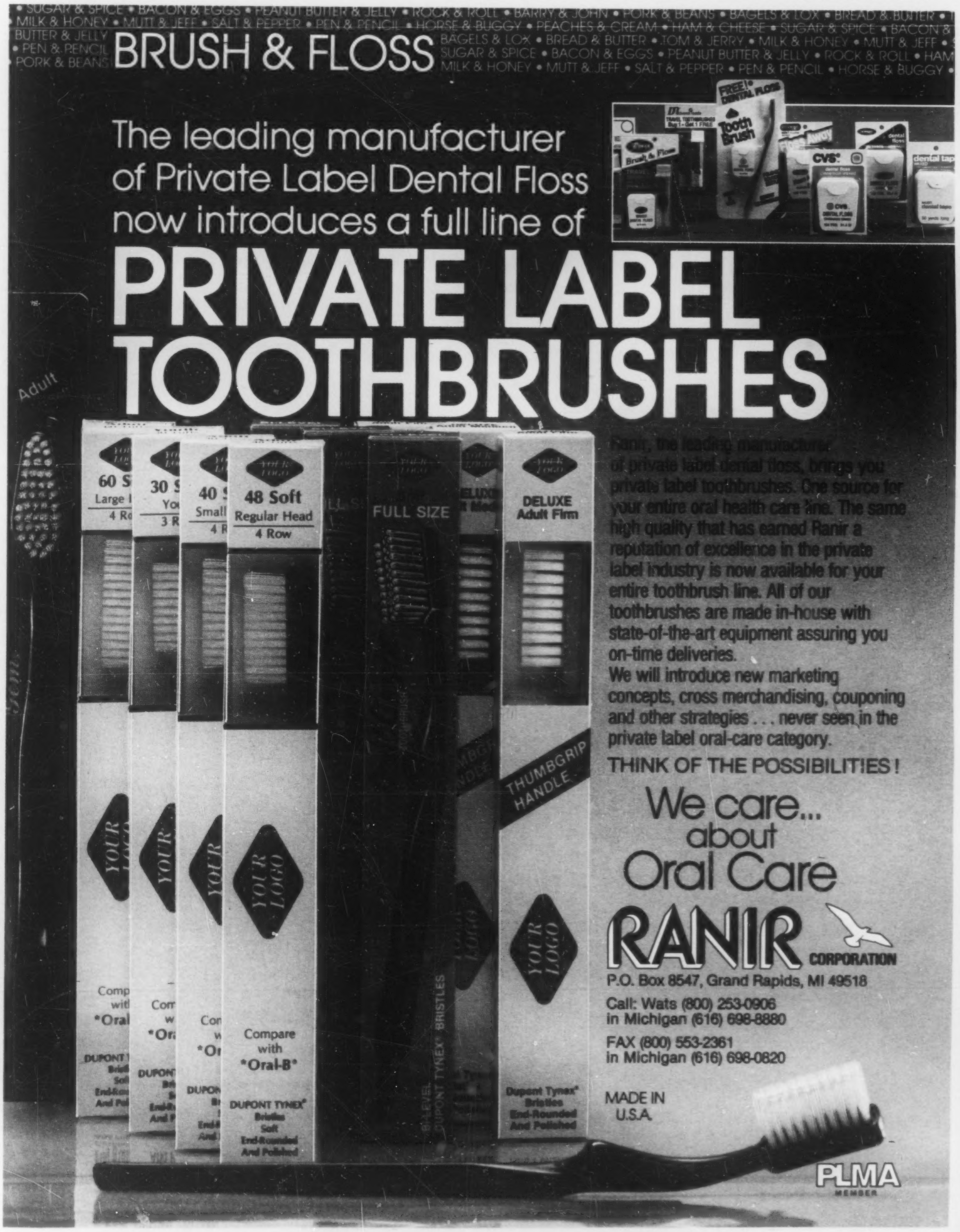
Source: Fairfield Research

Consumers'favorite hairstyling aids/ gel brands

(% mentioning brand)



Source: Fairfield Research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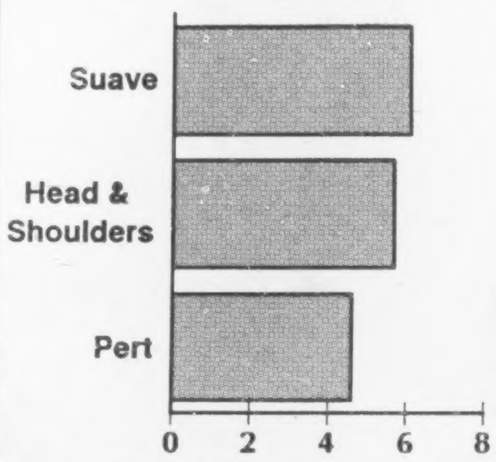
Women stand by hair coloring, shampoo picks mixed

Consumers' favorite shampoo brands

(% mentioning brand)



Source: Fairfield Research

Continued from page 37

and most of the top brands have recently introduced extensions to their lines to capitalize on this look.

For example, Clairol recently introduced a Maximum Hold SKU to its condition* gel. Faberge introduced four new formulas to its Aqua Net Hair Spray line in the third quarter of 1989, preceded in the second quarter by the introduction of Extra Super Hold, Unscented, Super Hold, and Pro-Spritz Aqua Net. L'Oréal Free Hold was repackaged in the third quarter of 1989 and included a new applicator that spreads the product evenly without stiffness or stickiness. An extra volume formula was also introduced.

Shampoo

Shampoo buyers were the least brand loyal in the hair care segment of the survey. Only 61 percent are brand loyal to their favorite shampoo brand, which, in descending order, were Suave by Helene Curtis, Head & Shoulders and Pert, both by Procter & Gamble.

Among regular brand buyers, 26 percent said they buy a regular shampoo brand because they've had good past experience with it and it's a brand they trust.

Because of the vast number of SKUs in this segment, 19 percent of the sample indicated a smattering of other shampoo brands as their favorite. In fact, based on *Drug Store News*' research of new shampoo launches, more than 20 new shampoo products and line extensions of established brands were introduced to the drug trade during the third and fourth quarters of 1989.

Another 23 percent of those polled said they don't have a regular brand. These "shifters" mentioned the lowest-priced brand and sale-priced shampoos as a major purchasing factor.

Price difference

Interestingly, consumers chose lower- to moderately-priced lines as their favorite brands, while store managers included premium-priced prestige brands such as Finesse and Pantene.

The brands consumers chose, however, are heavily advertised, and one, Head & Shoulders, has a distinctive marketing niche and is the leader in its category. Procter & Gamble recently introduced Head & Shoulders Dry Scalp formula, and will widen that niche, as this shampoo is the only product positioned to treat dry scalp.

Store managers' brand preferences: shampoo

(% mentioning brand)

Suave	**18.3%**
Finesse	**15.0**
Pantene	**12.5**

Source: Alert Marketing

Finesse and Pantene are part of the premium segment of the shampoo category that is currently enjoying a growth surge in drug stores. Women today are willing to pay for quality in their hair products, and a vast majority of them perceive the quality of this premium segment consistent with professional salon brands.

Category growth

The growth in the shampoo category is attributed to the professional salon brands, the premium lines and the budget lines. With the constant proliferation of new products across these segments, retailers are constantly eliminating slow-movers while expanding their shampoo sections to make room for new products.

Even though the amount of space retailers devote to the shampoo segment varies, Nielsen figures report that in 1989 chain drug stores on average devoted 67 linear feet to shampoo, while high-volume independents (those with an annual sales volume of $500,000 or more) gave 27 linear feet to the department. Chain stores increased this space by four feet from last year, while independents this year decreased shampoo space by three feet.

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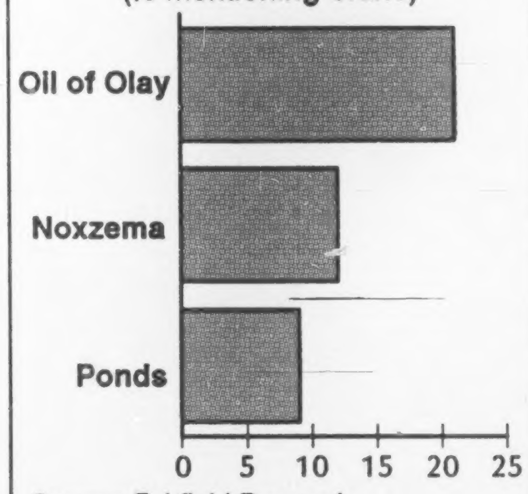
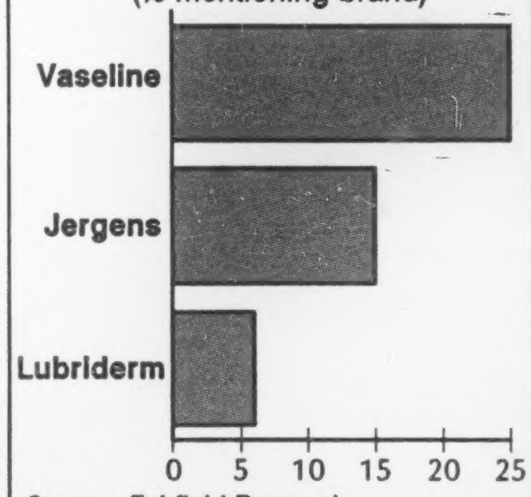
Consumers' favorite facial skin care brands
(% mentioning brand)



Source: Fairfield Research

Consumers' favorite hand & body lotion brands
(% mentioning brand)



Source: Fairfield Research

Brand loyalty running very high among skin care product users

Eighty-six percent of all people who buy a face, hand or body lotion report they have a favorite brand they normally purchase.

As one would expect, the loyalty factor is much higher for skin care product users than it is for fashion categories like lipsticks or nail polish.

Women are much more prudent when they buy a skin care product. They want to feel confident that the brand will perform as promised, and will not irritate or redden their skin.

Among those polled who bought facial skin care products, 75 percent regularly buy a major brand. Only 11 percent shifted brands.

With the loyalty factor so high, only 6 percent of skin care buyers can be tempted by price reductions.

Brand shifters were most likely to try a brand because it was new: 10 percent vs. 1 percent of the entire sample.

Not too many skin care buyers seem to notice any major differences in product benefits. Skin care buyers seem to take it for granted that all brands in the category deliver the benefits promised, but feel their favorite brand simply does it better than the rest.

The best-advertised skin care brand to date is Oil of Olay, and 12 percent of all skin care users picked Olay as their favorite facial skin care product. Runners-up Noxzema, Ponds and Neutrogena are all strongly supported by advertising and promotional campaigns.

Of all the facial skin care brands, Olay has done the best job of positioning itself as effective, but also as easy and pleasant to use. It also has habit on its side, since many women grew up with Olay on their mother's vanities.

Store managers' brand preference: facial skin care
(% mentioning brand)

Oil of Olay	42%
Neutrogena	17
Noxzema	14

Source: Alert Marketing, Inc.

Seventy-two percent of all hand and body lotion users said they chose a brand because they trusted it, habit or good past experiences; 14 percent mentioned price as a factor. Twenty-four percent of all brand shifters said low or sale prices did influence them; this was also the case with six out of 10 consumers who said they had no brand preferences.

Vaseline Intensive Care is the category leader in advertising expenditures, and it has also been a staple on the market for many years.

Store managers' brand preferences: hand & body lotion
(% mentioning brand)

Vaseline Intensive Care	57%
Lubriderm	13
Keri	8

Source: Alert Marketing, Inc.

Lubriderm has been able to carve a niche for itself through clever positioning. It is the leading therapeutic skin care brand; women may pay a little more for it, but they feel they are getting additional moisturizing benefits. Lubriderm is thought of by women as just as effective doing double duty as a facial moisturizer.

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Not getting 'burned' big reason behind sun care buys

Suntan lotion and sun block users in *Drug Store News'* Brand Preference Study most often cited good past experience, trust and simply liking the item — sometimes for its smell or packaging — as reasons for picking the sun care product they last bought.

These reasons seem ironic, given the heavy emphasis sun care-product marketers put on protection, SPFs, formulas for sensitive skin and the like. While only 1 to 2 percent of regular-brand buyers mentioned such benefits, SPFs and protection did matter more in the buying decision of brand shifters and consumers with no regular brand, who also were more likely to purchase an item because it was new and they wanted to try it.

Only respondents with no regular brand were especially swayed by price: About four in 10 of them said low price or a sale influenced what sun care product they bought.

However, the study also found a high degree of brand loyalty among sun care customers. Whereas 71 percent of the total sample said they had a regular brand (a rather low percentage with a favored brand, compared with the other 20 categories surveyed), only 17 percent of that group said they would switch brands if their favorite wasn't in stock. That's a comparatively low percentage of switchers.

Consumers in our study may be reflecting a certain imperviousness to marketing messages when faced with the proliferation of products and forms in this category, which retailers say is confusing to them, as well as to their customers. Consider: Forms of sun care products include oils, gelees, creams, sticks, sprays, lotions, zincs, towelettes and sponges; and functions include high SPFs, children's items, sensitive-skin products, broad-spectrum items, photo-aging protection, pre-sun and after-sun. As one buyer put it, "I look at the [SPF] 25s and the 30s and I think, what's the difference between them? What do I need?"

Store managers' brand preferences: sun

Coppertone	52%
Bain de Soleil	17
Hawaiian Tropic	13

Source: Alert Marketing, Inc.

Growing concern

But there undoubtedly has been a growing concern in the past few years over tanning too much or too fast: Consumers increasingly want products that block the ultraviolet rays that are most likely to cause sunburn or lead to skin cancer, and they're more aware of the sun's drying and aging effects on the skin. The concern over protection helps explain why the category's strongest growth is in the higher-SPF segment, with SPF 15 the best-selling SKU.

While the biggest growth has been in high-SPF products, tanning products are still the larger segment of the sun care category, accounting for more than half of skin care sales. According to *Drug Store News'* latest estimates, the suntan segment's total sales in drug chains reached $100.3 million, and sun protection sales were about $91.7 million for 1988. Tanning products still appeal especially to high school and college students, but merchandisers predict the sun protection segment will equal suntan-segment sales next year.

This year, consumers appear to be cutting through the clutter, because buyers are beginning to discern best-selling lines, enabling them to start thinning out their selection to a few top items. Some buyers are looking to pare the very low SPFs (0-4), which they're sensing consumers are moving away from. In our study, consumers' top choices were Coppertone, Bain de Soleil and Hawaiian Tropic, in that order of preference, and store managers' rankings, in a separate poll, agreed. Coppertone perhaps has an added advantage in having high name recognition gained through longevity.

Year-round category

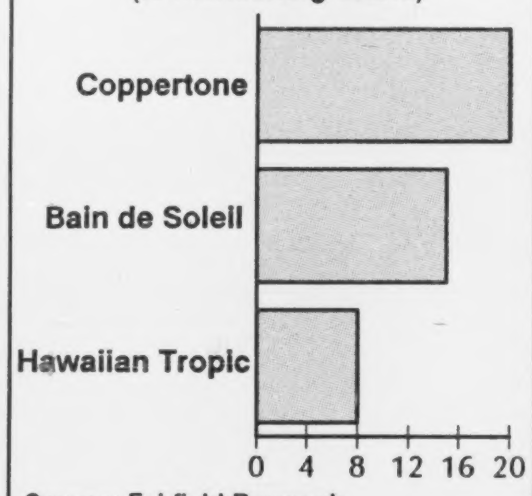
More and more, large drug chains are viewing sun care as a year-round category and thinking of permanent displays for the faster moving brands, to accommodate the increasing numbers of people who travel, seek the sun for vacations, or ski.

Better merchandising of the category, through co-op advertising and year-round category presentations, is helping to boost sun care sales. Manufacturers and retailers are trying to improve displays, packaging and consumer education, in an effort to organize the category better and to help customers sort through various products' benefits to find the best item for them.

Such efforts should pay off, in light of surveys like ours, which show that once a consumer is satisfied with a sun care product, he or she will stick with it, reinforced by concern about protection and preservation of healthy skin.

Consumers' favorite suntan lotion/ block brands

(% mentioning brand)



Source: Fairfield Research

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Retail Drug Store Trends

Published in conjunction with *Drug Store News*

For the first half of 1989, retail drug stores outperformed the total U.S. retail market, Nielsen Marketing Research shows.

While total U.S. retail sales were up 5 percent to $814 billion for the first half, retail drug store sales increased 8 percent to $30.8 billion during the same period.

Chain drug stores once again outshone independents in the first half. Total chain sales rose 10 percent, compared to 6 percent for independents.

However, larger independents, with sales of $500,000 or more per store, showed strong sales gains — up 12 percent for the first half compared to last year.

Continued on page 52

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VI: Drug Store Merchandising . . p. 60

Nielsen Marketing Research would like to thank the staff of *Drug Store News* for their assistance in assembling this review for their Dec. 11, 1989 issue.

NIELSEN REPORT:

THE ECONOMIC ENVIRONMENT

Continued from page 51

While drug stores are doing well in terms of overall sales, their health and beauty aid sales for the first half were weaker than in the same period last year. This weakness is partly due to intensified competition from discounters and mass merchandisers.

During the first six months of this year, drug stores increased their dollar sales of select H&BA products by 4 percent. On the other hand, H&BA sales were up 18 percent in mass merchandise stores in the first half, while food stores' H&BA sales rose 5 percent.

One indicator of the overall weakening in drug store H&BA sales is the What's Hot chart, based on Nielsen's tracking of 66 select H&BA categories. This year drug stores had only 10 H&BA categories with better than 10 percent growth in dollar sales for the first half. Last year, there were 25.

Last year, drug stores had just 11 categories with flat, warm or declining dollar sales. This year they had 38.

Clearly part of the problem is price. Drug chains have not been as successful as mass merchandisers and discounters at holding the line on price inflation as shown in chart 9, Nielsen's monitoring of H&BA sales and price trends in drug, food and mass merchandise stores.

Drug and food stores have taken higher increases on H&BA prices so far this year, up 4 percent for both industries versus a year ago, and their unit sales growth as a result has been the most sluggish. Unit sales for the 66 select H&BA categories tracked by Nielsen are up 1 percent for both drug and food stores vs. a year ago.

Meanwhile mass merchandisers, which held price inflation to 2 percent in 1988 and so far to just 3 percent in 1989, generated a whopping 16 percent increase in unit sales as well as an 18 percent increase in dollar sales (chart 9).

A sharper picture of the negative impact that price competition is having on drug store dollar and unit sales can be seen in chart 11, Nielsen's tracking of select H&BA sales and price trends in drug stores. Unit sales are either flat or down for 9 of the H&BA categories measured by Nielsen in this chart. Only four categories show growth averaging between 3 percent and 4 percent.

The softness in H&BA sales is also evident in chart 13, which compares drug stores' 1989 share of H&BA sales to H&BA shares in food and mass merchandise stores.

Of the 35 categories tracked, only three showed share growth in drug stores for the first half of 1989 versus 1988: ethnic hair preps were up 2.8 points, sinus remedies were up 1.8 points and cotton swabs were up 0.8 points. The other 32 categories were all down in drug store share of dollar sales. Some categories like early pregnancy kits and after-shave lotions and colognes were down dramatically, falling off more than four share points for the first half of 1989 versus 1988.

Mass merchandisers were the biggest winners, picking up 4.2 share points in after-shave lotions/colognes and 2.1 points in face creams, but food stores also did better in many categories.

In 1989, mass merchandisers picked up 1.8 share points for all the H&BA categories included in the Nielsen index. Food stores lost 0.8 of a point, while drug stores dropped a full share point.

Even within strong growth categories, drug stores did poorly during the first half. They dropped 4.2 share points on the early pregnancy test kits category. This is particularly disturbing because Nielsen identifies pregnancy kits as the strongest growth category in retail drug stores right now.

For the past five years, this category has generated an average annual percentage growth rate of 18.7 percent.

Another strong growth category, internal analgesics, was down .3 of a share point for drug stores in the first half. For the past five years, internal analgesics has been the drug store's fastest growing dollar sales volume category.

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Chart 1: Retail Sales Trends

(Years ending Dec. 31)

	1984	1985	1986	1987	1988	First six months 1988	First six months 1989
Total Retail Sales (billions)	$1,282	$1,366	$1,436	$1,521	$1,629	$774	$814
Percentage change vs. year ago	10%	7%	5%	6%	7%	8%	5%

Source: Bureau of the Census (revised 1989)

Chart 2: Division of U.S. Retail Sales By Class Of Trade

(Years ending Dec. 31)

	Years			First six months		Percentage change first 6 months
	1986	1987	1988	1988	1989	'89 vs. '88
☐ **Drug and Proprietary**	3.6%	3.6%	3.6%	3.7%	3.7%	6%
☐ **Food Stores**	21.0	20.7	20.4	20.7	21.0	7
☐ **Auto Dealers**	22.3	22.0	22.7	24.2	23.4	1
☐ **General Merchandise Stores**	11.5	11.6	11.3	10.0	10.1	6
☐ **Eating & Drinking**	9.4	9.7	9.7	9.7	9.9	7
☐ **Gasoline Stations**	6.8	6.5	6.3	6.4	6.5	7
☐ **Hardware & Lumber**	5.3	5.4	5.5	5.5	5.4	3
☐ **Clothing**	5.2	5.1	5.0	4.6	4.7	8
☐ **Furniture & Appliances**	5.6	5.6	5.7	5.5	5.7	9
☐ **All Others**	9.4	9.8	9.8	9.7	9.6	(1)
Total	100.0	100.0	100.0	100.0	100.0	

Source: Bureau of the Census (revised 1989)

Chart 3: Consumer Price Index*

(Years ending Dec. 31)

	Years			First six months '89	Percentage change vs. year ago
	1986	1987	1988		
Food-at-home	107	112	117	123	7%
Food-away-from-home	113	117	122	126	5
Medical care	122	130	139	146	7
Prescription drugs	130	141	152	162	8
Over-the-counter drugs	118	124	131	137	6
Physicians services	121	130	140	148	8
Dental services	121	129	138	144	6
Hospital room	122	131	143	154	10
Personal care	112	115	119	124	5
Housing	111	114	118	122	4
Fuel oil & other utilities	104	103	104	107	3
Apparel & upkeep	106	111	115	118	4
Transportation	102	105	109	114	6
Entertainment	112	115	120	125	5
Total all items	110	114	118	123	5

Annual average, all urban consumers; base (1982) equals 100

Source: Bureau of Labor Statistics

Chart 4: Real Disposable Income Trends

	Year			**First six months	
	1986	1987	1988	1988	1989
Disposable Income-Actual Dollars (billions)	$2,992	$3,183	$3,453	$3,382	$3,694
Percentage change vs. year ago	6%	6%	9%	8%	9%
Consumer Price Index Deflator*	110	114	118	117	123
Percentage change vs. year ago					
Real Disposable Income-Constant Dollars (billions)	$2,720	$2,792	$2,926	$2,891	$3,003
Percentage change vs. year ago	4%	3%	5%	5%	4%

*Base year 1982 equals 100
**First six months on an annualized basis

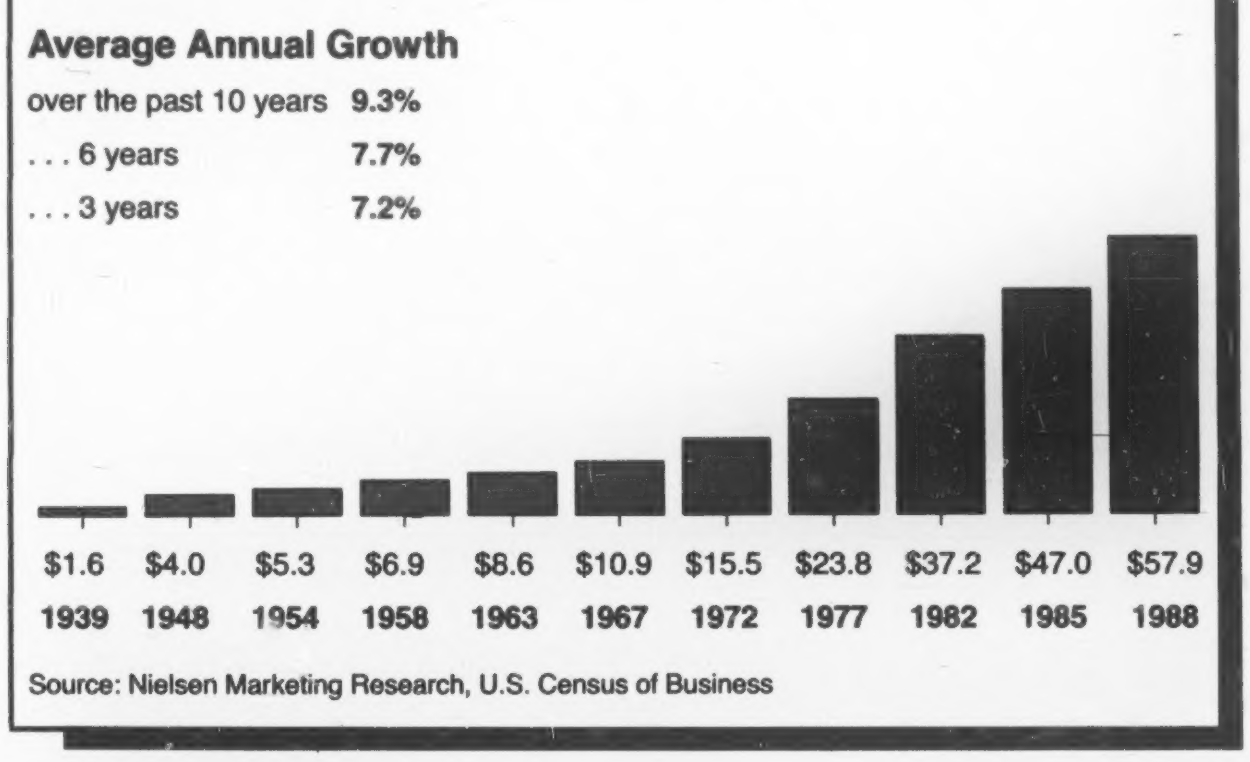
Source: U.S. Department of Commerce (revised 1989)

NIELSEN REPORT:

RETAIL DRUG STORE SALES

Chart 5: Retail Drug Store Total U.S. Dollar Sales

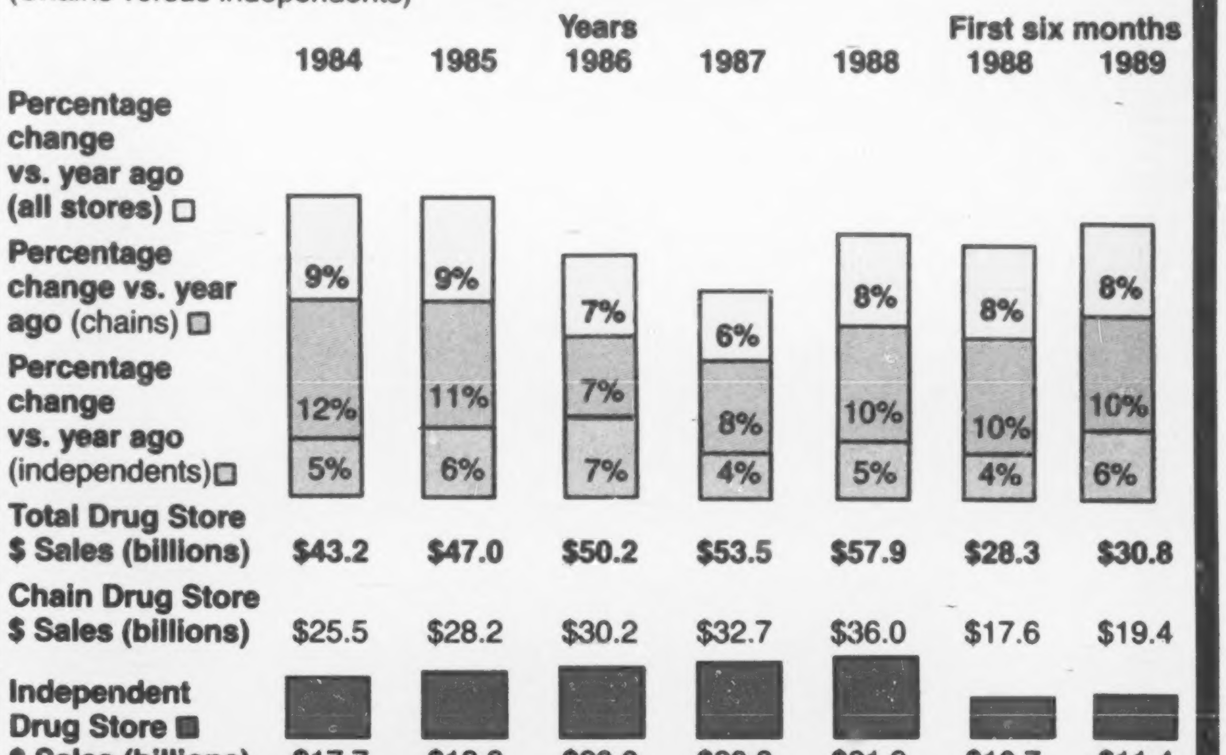
(In billions)



Source: Nielsen Marketing Research, U.S. Census of Business

Chart 6: U.S. Retail Drug Store Sales

(Chains versus independents)



Source: Nielsen Marketing Research

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In five years, the sales of internal analgesics have increased by $286.7 million. In 1988, that category generated $794.5 million in sales for retail drug stores.

Distribution better

At the same time that competitors like mass merchandisers are getting more aggressive in stocking and selling H&BA items, they are also getting better at distributing them.

According to Nielsen's monitoring of inventory trends for the 66 H&BA categories in food, drug and mass merchandise stores, mass merchandisers took a big step forward in distribution efficiency in 1989.

They managed to keep inventory increases down to just 2 percent compared to a 4 percent increase for drug stores and 3 percent for food stores.

Mass merchandisers also improved their inventory turns by 17 percent. They now generate 9.8 turns a year, compared to 10.3 for the super efficient food store industry. Drug stores, meanwhile, turned their much broader H&BA inventory at a relatively slow 4.7 times, down 0.1 from the first six months of 1988.

Nielsen's chart 14 on H&BA inventory turns in drug stores helps sharpen the picture of what's happening. In a category like skin care, for example, drug store inventory levels rose 11 percent. For drug stores skin care is a very promising category, but the increased inventory served to depress turns, which dropped 6 percent to a low of 4.1.

Selected sundries, another category where inventory levels rose substantially, up by 13 percent in 1989, also failed to perform well on turns, dropping 9 percent in 1989 to just 4.9 turns a year.

Space allocations

In 1989, Nielsen also discovered that both drug and food stores are expanding their space allocations for select H&BA categories while large-volume independents are cutting back.

In 1989, for example, drug chains expanded shelf space for 18 of the 27 select H&BA categories monitored by Nielsen. Food chains gave more space to 19 of the tracked categories.

Large independents, on the other hand, expanded space for only two categories and even these increases were very marginal, averaging just about one linear foot of shelving.

Even the larger high-volume independents, however, can't compete with chains and food stores on product presentations and assortment because they simply don't have the space in most cases.

But the typical chain drug store, which is usually at least 8,000 square feet and can be three times larger, is striving very hard to stay ahead of their food competitors on assortment.

Chains added another three feet to dentifrice products in 1989, for example, to give them a total of 60 linear feet, compared to the 10 feet food chains averaged in early 1989.

Only in bulk categories like disposable diapers do drug chains cede growth to their food competitors. In 1989, food chains added another 4 feet to disposable diapers to give them a total of 65 linear feet. Drug chains, on the other hand, only expanded their disposable diaper section by 2 feet, to wind up with a 57-foot allocation.

In many cases both the drug chains and the food chains were aggressive with the same categories. Both gave five more feet to deodorants in 1989, for example, and both expanded shampoos and cold and sinus remedies by at

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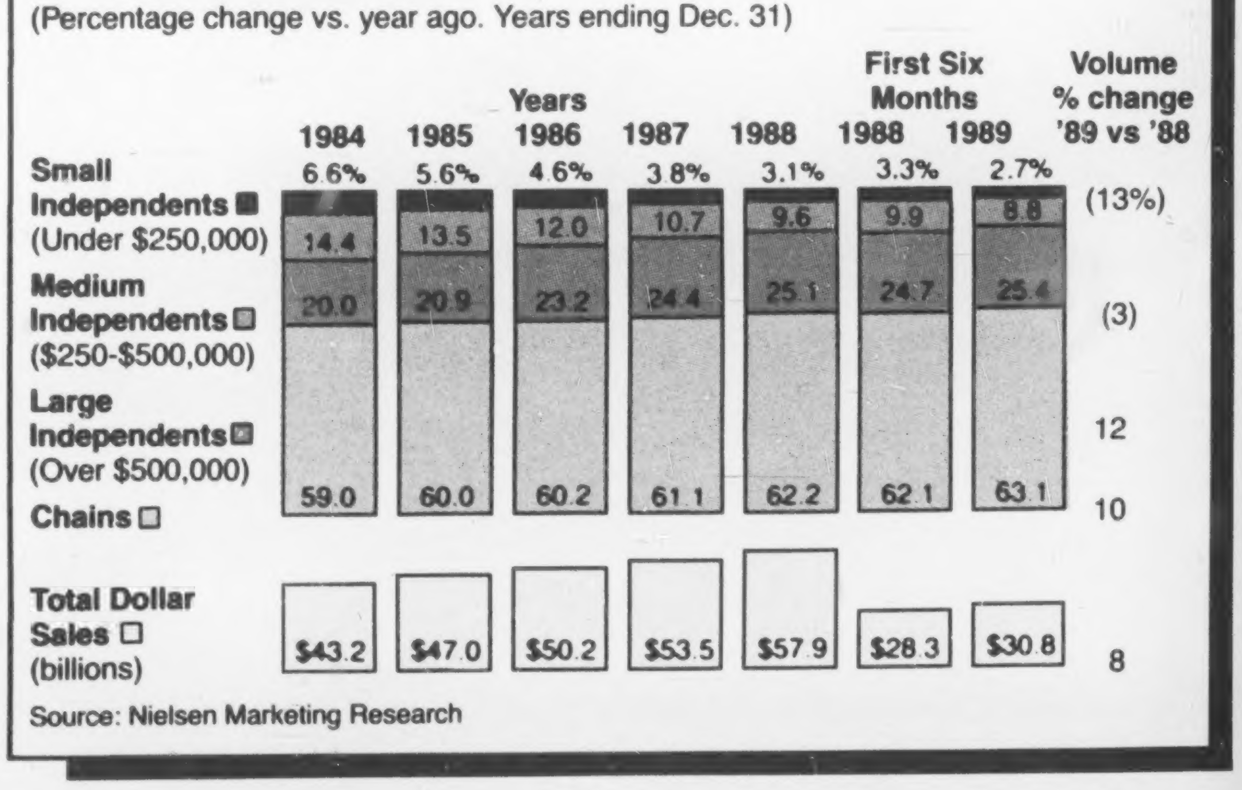
Chart 7: Division of Retail Drug Store Sales by Nielsen Retail Marketing Area

Region	1988 Drug Store Sales (billions $)	% change vs. year ago	1988 share of U.S. sales	Point change vs. year ago	1988 Number of households (millions)	Index of drug store sales per household US = 100
New England	$ 3.3	12%	5.7%	0.2	4.7	$109
Metro New York	$ 3.1	10%	5.4	0.1	5.9	$ 82
Albany/Buffalo/Syracuse	$ 1.7	6%	2.9	(0.1)	2.6	$103
Philadelphia	$ 2.4	6%	4.2	(0.1)	3.8	$ 99
Baltimore/Washington	$ 2.1	10%	3.6	0.0	3.1	$108
Pittsburgh	$ 1.4	10%	2.4	0.0	2.4	$ 91
Cleveland	$ 1.5	0	2.6	(0.1)	2.5	$ 92
Detroit/Grand Rapids	$ 2.4	4%	4.1	(0.2)	3.6	$104
Indianapolis/Cincinnati/ Lexington	$ 2.9	11%	5.0	0.3	4.0	$111
Metro Chicago	$ 2.2	5%	3.8	(0.2)	2.9	$121
St. Louis/Peoria	$ 1.2	4%	2.1	0.0	2.2	$ 84
Kansas City/Omaha/Iowa	$ 1.8	4%	3.1	(0.1)	3.7	$ 74
Minneapolis/Wisconsin	$ 2.1	10%	3.6	0.1	4.0	$ 83
Denver/Mountains	$ 1.0	(5%)	1.7	(0.3)	2.1	$ 75
Virginia/Carolinas	$ 2.9	12%	5.0	0.1	4.7	$ 97
Florida/South Georgia	$ 3.9	9%	6.2	0.0	5.3	$106
Georgia/Alabama	$ 3.1	7%	5.4	0.0	5.3	$ 91
Delta	$ 2.5	7%	4.3	(0.1)	4.1	$ 95
Albuquerque/San Antonio/ Oklahoma	$ 1.6	11%	2.8	0.0	3.7	$ 68
Dallas/Houston	$ 2.3	6%	4.0	0.0	4.1	$ 87
Southern Calif.	$ 4.9	10%	8.5	0.2	6.4	$119
Boise/Salt Lake/Phoenix	$ 1.5	8%	2.6	0.1	2.1	$109
Northern Calif.	$ 4.5	13%	7.8	0.3	4.2	$167
Seattle/Portland	$ 2.0	9%	3.5	0.2	2.9	$104
Total U.S.	$57.9	8%	100.0%	—	90.3	$641

Source: Nielsen Marketing Research, Marketing Statistics

Chart 8: Division of Drug Store Sales by Store Size and Ownership

(Percentage change vs. year ago. Years ending Dec. 31)



Source: Nielsen Marketing Research

NIELSEN REPORT:

RETAIL DRUG STORE SALES/H&BA SALES TRENDS

Chart 9: H&BA Sales and Price Trends—Drug vs. Food vs. Mass Merchandisers

(Percentage change vs. year ago)

	Dollar Sales Trends First Six Months 1988	1989	Unit Sales Trends* First Six Months 1988	1989	Price Trends* First Six Months 1988	1989
All three outlets	7%	7%	5%	4%	3%	3%
Drug Stores	9	4	6	1	3	4
Food Stores	5	5	3	1	3	4
Mass Merchandisers	9	18	7	16	2	3

*Weighted by dollar importance of each category

Source: Nielsen Marketing Research

Chart 10: Division of H&BA Sales—Drug vs. Food vs. Mass Merchandisers*

	Years 1985	1986	1987	1988	First Six Months 1988	1989	Volume change '89 vs. '88
Mass Merchandisers	16.3%	16.8%	17.5%	17.6%	17.1%	18.9%	18%
Food Stores	43.8	44.2	44.1	43.7	43.8	42.9	5
Drug Stores	39.4	39.0	38.4	38.7	39.1	38.2	4
Total HBA Sales (Billions)**	$24.9	$26.4	$27.9	$29.9	$14.7	$15.8	7
Percentage change vs. year ago	5%	6%	6%	7%	7%	7%	

*Based on the 66 categories in Nielsen's HBA Index
** Sales through three mass market outlets

Source: Nielsen Marketing Research

Continued from page 54

least three more feet per category.

Other 1989 Nielsen Highlights

- The fastest turning category in retail drug stores this year is topical hydrocortisones. Annual inventory turns have increased 7.6 percent on average for the past five years and are now up to 6.3 turns a year.
- The number of chain drug stores with cosmeticians on duty is growing. In 1987, 34 percent of chain drug stores had cosmeticians on duty. This year, 40 percent do.
- Today's drug chain is also much more committed to institutional or image advertising. In 1984, just 13 percent of total ad space was allocated to an institutional message. Last year, that was up to 24 percent.
- In terms of disposable income, the economy has been reasonably strong. For the first half of 1989, consumers enjoyed a 9 percent increase in real disposable income.

H&BA Sales Trends

Chart 9: Real drug store H&BA sales growth, as measured in unit sales, was virtually flat for the first half of 1989—up only 1 percent. The same was true for H&BA unit sales in food stores.

However, mass merchandisers generated tremendous growth in unit sales, with volume up 16 percent. The growth reflected their increasing commitment to building this category in their stores.

Mass merchandisers have traditionally been the strongest with the remedial H&BA categories, such as cough/cold and flu products, and with basic necessities like oral hygiene. Now they are competing more aggressively for the hair, skin and overall toiletries customer. Their drive is paying off in stronger sales.

Mass merchandisers have also done the best job in holding down prices on H&BA products. Prices increased only 3 percent for the first half, compared to a 4-percent increase in prices for both drug and food stores.

Chart 10: For the first half of 1989, the growth rate of H&BA sales in mass merchandisers more than quadrupled the growth rate in drug stores — 18 percent vs. 4 percent.

Drug stores also lost ground in their share of H&BA sales. Their share for the first half of 1989 is down nine-tenths of a point from the same period last year.

Share of H&BA sales for mass merchandisers, on the other hand, increased 1.8 points. This is partly because many mass merchandisers have expanded space for H&BA and cosmetic products. At the same time, they are advertising and pricing them more aggressively.

As a category, H&BA increased 7 percent for the first half and should end the year with sales at or over $32 billion. In 1988, the category was also up 7 percent, to $29.9 billion.

Food stores are showing only modest growth with the category. Their sales for the first half were up 5 percent, but their share of sales, like that of drug stores, was down 0.9 of a point.

Chart 11: In terms of real growth — unit sales — drug stores are not having an exciting year with H&BA products. Men's products and analgesic/digestive products were actually down 1 percent in unit sales for the first half of 1988; hair care and oral hygiene were flat; and color cosmetics and miscellaneous toiletries are only up 1 percent.

Chart 11: H&BA Sales and Price Trends—Drug Stores

(Percentage change vs. year ago)

	Dollar Sales Trends First Six Months 1988	1989	Unit Sales Trends* First Six Months 1988	1989	Price Trends* First Six Months 1988	1989
Total Nielsen HBA Index Categories	9%	4%	6%	1%	3%	4%
Total Toiletries	9	4	6	0	3	4
Men's Products	7	5	1	(1)	6	6
Skin Care	15	6	11	3	4	4
Hair Care	9	2	6	0	3	3
Oral Hygiene	13	3	10	0	3	4
Color Cosmetics	11	3	8	1	3	3
Other Toiletries	2	4	(1)	1	3	4
Total Remedial	10	5	7	1	3	5
Cold/Cough/Flu/Sinus	7	8	5	4	2	4
Analgesics/Digestives	11	3	7	(1)	4	5
External Remedies	15	8	13	3	2	5
Paper Goods	8	4	6	4	2	0
Selected Sundries	8	4	4	3	4	1

*Weighted by dollar importance of each category

Source: Nielsen Marketing Research

Skin care, cough/cold/flu/sinus products and external products remain the strongest H&BA categories for drug stores, with sales up 3 percent for the first two categories and 4 percent for externals.

Paper goods and selected sundries also rose 4 percent and 3 percent, respectively.

One of the culprits seems to be price. At a time when mass merchandisers are becoming more competitive with H&BAs, drug chains are not holding the line on price inflation.

Prices on men's products went up 6 percent in drug stores. The increase helped lead to a 5-percent increase in dollar sales, but at the expense of unit sales.

Prices on skin care, on the other hand, were up only 4 percent, and that helped produce a 6-percent increase in dollar sales and a 3-percent increase in unit sales.

Prices on sundries and paper goods were even better controlled, increasing only 1 percent on sundries and remaining level on paper goods. That helped produce real sales gains for both categories.

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NIELSEN REPORT:

Chart 12: H&BA Sales—What's Hot in Drug Stores

(For six months ending June 30, 1989 vs. six months ending June 30, 1988)

HOTTEST
(Dollar sales increases greater than 15%)

- Sinus remedies
- Pregnancy testing kits
- Diarrhea remedies
- Insect repellents
- Baby bath

HOTTER
(Dollar sales increases between 10% and 15%)

- Face creams and lotions
- Pre-moistened towelettes
- Cotton swabs
- Sleeping tablets
- Diaper rash creams

HOT
(Dollar sales increases between 5% and 10%)

- Lip makeup
- Disposable diapers
- Cold remedies
- Soft contact lens solutions
- Internal analgesics
- Mouthwash
- Aftershave lotions/colognes
- Bath products
- Acne remedies
- Hemorrhoid preperations
- Women's fragrances
- Arthritic remedies
- Cough drops
- After shampoo/conditioners
- Hand and body lotions
- Throat lozenges
- Denture adhesives
- Cough syrup

WARM
(Dollar sales increases between 0% and 5%)

- Deodorants
- Toothbrushes
- Nasal sprays
- Shampoos
- Ethnic hair preps
- Foot remedies
- Blades and razors
- Batteries
- Eye drops and lotions
- Suntan lotions and oils
- Face makeup
- External analgesics
- Hair color
- Nail color
- Topical hydrocortisones
- Laxatives
- Stomach remedies/antacids

NOT SO HOT
(No sales growth or sales volume declines)

- Dental floss
- Dentrifice
- Sanitary protection
- Feminine douches
- Baby lotion
- Eye makeup
- Denture cleansers
- Women's contraceptives
- Vitamins
- Baby powder
- Mens hair preps
- Chapped lip preps
- Home wave kits
- Hair fixatives (sprays)
- Shaving cream
- Depilatories
- Talc/dusting powder
- Mousse
- Pet flea collars
- Baby oil
- Dieting aids

Source: Nielsen Marketing Research

Chart 12: Of the 66 H&BA categories tracked by Nielsen, 45 showed dollar sales increases in retail drug stores for the first half of 1989. This was a sharp decrease from last year's first half, when 62 of the 66 categories showed growth.

What's worse, just 28 of the categories showed what can be categorized as "hot" growth, meaning they had dollar sales increases of at least 5 percent, and only five showed sales increases of 10 percent or more. An additional five made it into the "hottest" classification, with sales increases better than 15 percent.

Ten categories actually fell out of the "hottest" classification for the first half of the year, while only one moved up. Last year, insect repellents was classified as "hot", with sales increases averaging between 5 percent and 10 percent in drug stores. This year, dollar sales of insect repellents in drug stores were up over 15 percent.

Only three of last year's hottest categories made it into this year's "hotter" classification, meaning they dropped from sales increases of 15 percent or better in the first half of 1988 to sales increases averaging 10 to 15 percent. They were diaper rash creams, sleeping tablets and face creams and lotions.

The number of categories that made it into last year's "hotter" classification also declined, dropping from 11 categories with dollar sales growth between 10 and 15 percent in 1988 to just five categories with growth that strong this year.

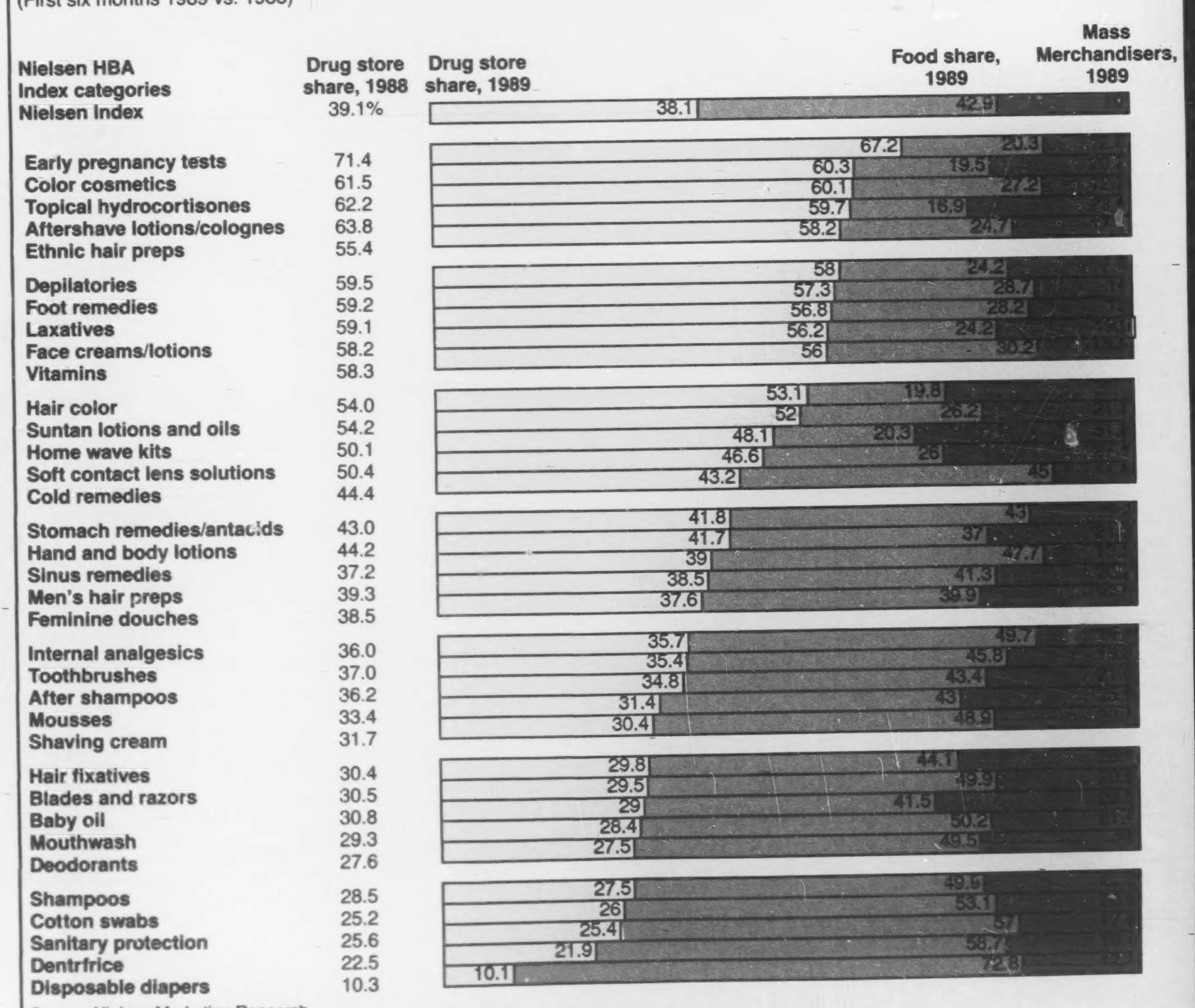
Only one of those categories — pre-moistened towelettes — maintained its growth rate from 1988.

With the one exception of baby bath, the chart shows that drug stores are not currently maximizing their potential for growth in the toiletries and fashion segments of H&BA products. Even face creams is showing less growth this year than last, and the basic toiletry categories, like deodorants, shampoos, sun care, face make-up and nail color, are flat or only showing marginal growth.

After shampoos and conditioners were one of Nielsen's "Hot" categories in drug stores this year.

Chart 13: Division of H&BA Category Sales—Drug vs. Food vs. Mass Merchandisers

(First six months 1989 vs. 1988)



Source: Nielsen Marketing Research

Chart 13: Out of the 35 select H&BA categories monitored by Nielsen, just 14 have a higher share of dollar sales in drug stores than in food or mass merchandise stores.

And of those 14, only four have a share higher than 60 percent. One — early pregnancy kits — has a share better than 70 percent .

Even worse, only three categories, ethnic hair preps, cold remedies and sinus remedies, had share gains in drug stores during the first half of 1989. All the remaining 32 monitored categories were down. Some like early pregnancy tests, which dropped 4.2 share points, were down dramatically.

Face creams and lotions, one of the hottest growth categories in retail drug stores — up better than 10 percent in dollar sales for the first half of 1989 — was also down in share, by 2 points.

Buyers who look at their dollar sales increases on face creams would logically be pleased with the category's performance, but when you look at the growth in face creams in food and mass merchandise stores and the declines in share for drug stores, another picture emerges and it is less than rosy.

NIELSEN REPORT:

H&BA INVENTORY TRENDS, LINEAR SHELF SPACE ALLOCATIONS

Chart 14: H&BA Inventory Trends—Drug Stores*

	Inventory level trends[1] (% change vs. year ago) First six months		Average annual rate of inventory turns First six months		Inventory rate of turn[1] (% change vs. year ago) First six months	
	1988	1989	1988	1989	1988	1989
Total Nielsen H&BA Index	1%	4%	4.8	4.7	6%	(3%)
Total Toiletries	0	4	4.1	4.0	7	(3)
Men's products	(6)	4	4.6	4.3	8	(5)
Skin care	5	11	4.3	4.1	6	(6)
Hair Care	(1)	2	4.5	4.4	7	(3)
Oral hygiene	3	4	5.5	5.3	8	(4)
Color cosmetics	2	3	2.3	2.3	6	(3)
Other toiletries	(4)	1	3.9	3.9	4	0
Total Remedial	1	3	5.3	5.2	6	(1)
Cough/Cold/Flu/Sinus	2	1	5.3	5.5	2	3
Analgesics/digestive	(2)	2	5.3	5.1	9	(3)
External remedies	10	8	5.4	5.2	3	(4)
Paper goods	1	7	6.8	6.6	5	(3)
Selected sundries	5	13	5.3	4.9	(1)	(9)

* Based on the 66 categories in Nielsen's HBA Index
(1) Weighted by dollar importance of each category

Source: Nielsen Marketing Research

Chart 14: Drug stores kept their inventory levels of cough/cold/sinus/flu products relatively tight this year, and that is the only category in the Nielsen H&BA index that showed an improvement in rate of inventory turns.

On a 1-percent increase in inventory levels, cough/cold/sinus/flu was up 3 percent to a 5.5 turn rate for the first half of 1989.

Selected sundries endured the biggest drop in efficiency. With inventory levels up 13 percent for the first half, turns were down 9 percent, to 4.9 a year.

Skin care, a strong growth area for today's drug store, also suffered. Buyers increased inventory levels by 11 percent, and the result was a 6-percent decline in turn rate to 4.1 times on an annualized basis.

The same pattern occurred in external remedies, up 8 percent in inventory levels, and down 4 percent in turns; men's products, up 4 percent in inventory levels, down 5 percent in turns, and paper goods, up 7 percent in inventory levels and down 3 percent in turns.

Chart 15: Retail drug stores saw inventory levels increase for the first half of 1989, and turns, as a result, declined, meaning that they are not operating as efficiently this year as they have in years past.

In the first half of 1989, their inventory levels were up 4 percent, and their turn rate slipped by 3 percent to 4.7 times on an annualized basis.

Meanwhile, some of the competition became much more efficient in inventory management. Mass merchandisers held their inventory levels to a moderate 2-percent increase, yet their performance in turning that inventory improved dramatically, up 17 percent, to 9.8 annual turns for the first half of 1989.

Chart 15: H&BA Inventory Trends—Drug vs. Food vs. Mass Merchandisers *

	Inventory level trends[1] (% change vs. year ago) First six months		Average annual rate of inventory turns First six months		Inventory rate of turn[1] (% change vs. year ago) First six months	
	1988	1989	1988	1989	1988	1989
Three outlets	1%	3%	7.4	7.6	2%	2%
Drug stores	1%	4%	4.8	4.7	6%	(3%)
Food stores	1%	2%	10.3	10.3	(2%)	0
Mass merchandisers	0	2%	8.3	9.8	9%	17%

*Six months ending June 30, based on the 66 categories in Nielsen's H&BA Index
1. Weighted by dollar importance of each category

Source: Nielsen Marketing Research

Chart 16: H&BA Linear Shelf Space Allocation

(Average allocated linear feet of shelving by type of store)

Selected toiletries	Drug chains			Large independents			Food chains		
	1988	1989	change	1988	1989	change	1988	1989	change
Aftershave lotion/colognes	29	29	0	20	19	(1)	8	10	2
Dentifrice	57	60	3	24	23	(1)	44	46	2
Denture adhesives/cleansers	23	24	1	13	14	1	10	12	2
Deodorants	67	72	5	30	30	0	46	51	5
Face creams & lotions	23	24	1	15	12	(3)	9	10	1
Hair coloring	70	72	2	27	25	(2)	21	21	0
Hair fixative	44	44	0	20	14	(6)	25	23	(2)
Hand and body lotions	31	34	3	20	19	(1)	16	18	2
Home wave kits	15	14	(1)	7	6	(1)	5	6	1
Mouthwash	31	33	2	12	11	(1)	19	21	2
Mousse	12	13	1	6	4	(2)	7	6	(1)
Shaving creams	20	21	1	10	9	(1)	12	13	1
Shampoo	63	67	4	30	27	(3)	43	46	3
Suntan/sunscreens	NA	31	NA	NA	13	NA	NA	14	NA
Selected remedials									
Acne remedies	17	19	2	13	12	1	8	9	1
Cold and sinus remedies	52	57	5	34	35	1	24	27	3
Contact lens solutions	NA	39	NA	21	NA	NA	14	NA	NA
Cough syrups	20	21	1	14	13	(1)	8	10	2
Early pregnancy tests	NA	5	NA	NA	3	NA	NA	3	NA
Eye lotions and drops	NA	7	NA	NA	5	NA	NA	3	NA
Internal analgesics	63	65	2	3	36	2	33	37	4
Laxatives	36	36	0	28	26	2	11	12	1
Nasal sprays and drops	10	9	(1)	8	7	1	5	5	0
Stomach remedies	37	39	2	25	23	(2)	16	19	3
Vitamins	85	89	4	58	57	(1)	37	38	1
Selected paper products									
Disposable diapers	55	57	2	13	11	(2)	61	65	4
Sanitary protection	85	90	5	35	31	(4)	56	58	2

NA: Not available; measurements taken end of April.

Source: Nielsen Marketing Research

H&BA Linear Shelf Space allocations

Chart 16: Drug chains are following through on their verbal commitments to expand space for traditional drug store categories for the 1990s.

For the first half of 1989, chain drug stores expanded space allocations for 18 of the 27 selected H&BA categories surveyed in chain drug stores.

Of these 18, the largest gainers in space allocations were deodorants, up from an average 67 linear feet for the first half of 1988 to 72 in 1989; cold and sinus remedies, up 5 linear feet to 57 in 1989; and sanitary protection, up 5 feet to 90 feet.

This year, only two slower growth categories have been cut back in chain drug stores: home wave kits, which has been a flat segment for years, and nasal sprays and drops.

The picture is much different in high-volume independent stores. In this market segment, 19 categories lost space and only two increased space: denture adhesives and cleaners and cold/sinus remedies.

It is ironic that independents are backing away from expanded presentations on these categories at the same time that competitors like chain drug stores and food chains are expanding their assortments to beef up presentations.

In the food store industry, 19 of the 27 surveyed categories were given increased space allocations. The largest increases were allocated to deodorants, up 5 linear feet to 51 feet for the first half of 1989; internal analgesics, up 4 feet to 37 feet; and disposable diapers, up 4 feet to 65 feet.

The categories that lost space in food stores were hair fixatives (sprays) and mousse.

NIELSEN REPORT:

SPACE ALLOCATIONS; MERCHANDISING CHARACTERISTICS

Chart 17: H&BA Dollar Sales Per Month

(Per linear foot of allocated shelf space. Comparison by store type)

Selected toiletries	Drug chains			Large independents			Food chains		
	1988	1989	change	1988	1989	change	1988	1989	change
Aftershave lotion/colognes	$51	$53	$2	$2	$2	$2	$ 45	$ 43	($2)
Dentifrice	20	19	(1)	10	10	—	56	55	(1)
Denture adhesives/cleansers	19	19	—	9	8	(1)	44	38	(6)
Deodorants	26	24	(2)	12	11	(1)	55	52	(3)
Face creams & lotions	48	51	3	23	30	7	50	52	2
Hair coloring	19	18	1	9	9	—	25	26	1
Hair fixatives	19	19	—	9	12	3	40	44	4
Hand and body lotions	28	27	(1)	15	16	1	42	44	2
Home wave kits	19	20	1	9	8	(1)	23	19	(4)
Mouthwash	24	26	2	16	18	2	63	65	2
Mousse	20	15	(5)	9	11	2	36	39	3
Shaving creams	14	13	(1)	8	7	(1)	29	28	1
Shampoo	25	24	(1)	14	14	—	57	56	1
Suntan/sunscreens	NA	24	NA	NA	18	NA	NA	33	NA
Selected remedials									
Acne remedies	21	20	(1)	10	11	1	39	38	(1)
Cold and sinus remedies	NA	39	NA	NA	22	NA	NA	74	NA
Contact lens solutions	NA	40	NA	NA	19	NA	NA	60	NA
Cough syrups	NA	37	NA	NA	33	NA	NA	45	NA
Early pregnancy tests	NA	58	NA	NA	27	NA	NA	48	NA
Eye lotions and drops	NA	32	NA	NA	17	NA	NA	56	NA
Internal analgesics	44	45	1	26	28	2	102	97	(5)
Laxatives	34	36	2	20	21	1	53	53	—
Nasal sprays and drops	33	39	6	18	21	3	55	59	4
Stomach remedies	28	27	(1)	18	19	1	55	49	(6)
Vitamins	21	20	(1)	14	14	—	28	29	(1)
Selected paper products									
Disposable diapers	25	25	—	13	14	1	123	122	(1)
Sanitary protection	20	18	(2)	12	13	1	56	51	(5)

NA = not available; measurements taken end of April.

Source: Nielsen Marketing Research

Chart 17: Of the 27 select H&BA categories surveyed by Nielsen, early pregnancy tests turned out to be the highest volume category in terms of dollar sales generated per month, per linear foot of shelf space.

After-shave lotions and colognes came in second, with average sales of $53 per month per linear foot, up $2 versus the same period last year.

Nasal sprays and drops was the strongest category in terms of dollar sales growth, year-to-date. Sales per linear foot were up $6 to $39 per month for the first half of 1989.

On the grim side, 11 of the 27 surveyed categories were down for the first half of 1989 versus 1988. Mousse had the sharpest decline, dropping $5 per average linear foot to $15 per month.

High-volume independents generated better growth in per linear foot sales for skin care, up $7 to $30 per month, but they still lagged far behind drug chains in terms of total dollar sales. High-volume independents generated $30 per month per linear foot of allocated shelf space for face lotions, compared to $51 for chains.

High-volume independents suffered less extreme sales declines. Only four categories were down in terms of dollar sales per linear foot: denture products, home wave kits, shaving creams, and deodorants, all down 1 percent .

In food chains, nine categories suffered sales declines in monthly dollar sales per linear foot. Denture products were down the most dramatically, a 6-percent drop, to $38 per linear foot. That was still a lot better than the $19 drug chains were averaging per month, or the $8 high-volume independents were averaging.

Food chains also increased monthly H&BA average dollar sales in nine of the surveyed categories. The sharpest increases came in hair fixatives, up $4 to $44 per linear foot per month, well in excess of the $19 chain drug stores were generating in this category. Nasal sprays and drops were up $4 to $59, again much better than the $39 chain drug stores were generating.

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Retailers' space allocation strategy tries to maximize SKU facings while making a strong presentation. This Arbor store in Southfield, Mich. promotes a variety of styling aids.

Chart 18: Chain Drug Stores: Store Merchandising Characteristics

(Percentage of stores with characteristic—all commodity basis)

Category	1987	1988	1989*
Film developing	98%	98%	98%
Pharmacy computer systems	71	86	94
Cosmetician	34	30	40
Lottery tickets	27	29	30
Pre-recorded videotapes	14	13	9
Open 24 hours	5	7	7
Alcoholic beverages	56	64	64
Liquor	30	32	29
Beer	55	63	64
Wine	46	53	46

*For the period ending in February 1989

Source: Nielsen Marketing Research

Chain Drug Stores Store Merchandising Characteristics

Chart 18: The most popular "extra" that drug stores can provide convenience-minded shoppers is still film developing, now offered by 98 percent of all U.S. chain drug stores.

Making sure there is a computer in pharmacy to track consumer needs is the next most popular option, and in 1989 94 percent of all chains provided that service, compared to just 71 percent in 1987.

Today's chain drug store is also working harder to satisfy the consumer's growing need for service at the mass level. In February 1988, just 30 percent of all the drug chains surveyed had a cosmetician on duty. In February 1989, that number had increased to 40 percent.

Lottery tickets did not decline in popularity as a service option, but neither did they grow dramatically. In 1989, 30 percent of all chain drug stores sold lottery tickets, compared to 29 percent in 1988.

Sales of pre-recorded videotapes, on the other hand, were on the downtrend. In 1987, 14 percent of all chain drug stores stocked pre-recorded video tapes. In 1989, only 9 percent did.

As a category, alcohol does seem to be gaining expanded distribution in chain drug stores. In 1989, 64 percent of all chains stocked alcohol, compared to just 56 percent in 1987.

In terms of geographic differences, the Northeast and the Mid-Atlantic regions, with their higher percentages of bantam self-service stores, were the least likely locations where consumers might find the services of a cosmetician or an expanded mix of product that would include such nontraditional categories as pre-recorded videotapes or alcohol.

On the other hand, West Coast and Central states, with their larger stores geared more to the convenience needs of shoppers, were the most likely regions where these additional merchandising services might be found.

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OTC makers try cashing in on brand profiles

Manufacturers of over-the-counter products hope brand recognition will help them carve out some of the $18-$23 billion in overall OTC sales that are projected to be reached within the next five years.

Already accounting for nearly 15 percent of total chain drug store sales, OTC drugs are a major focus for drug retailers who look to the category to provide vital growth in the face of intense competition over the next decade. Manufacturers, for their part, are intensifying their marketing efforts and boosting ad budgets in order to keep brand recognition high enough to lure consumers to purchase their products.

ONSUMER BRANDS PREFERENCE STUDY

While consumer brand preferences may not always agree with the perceptions of store managers about leadng brands, one thing is clear: Brand awareness does make a big difference in consumers' buying habits.

Continued on page IP13

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9 New drugs to treat AIDS expands list approval for last quarter of 1989; others still in pipeline.

Creativity is byword for pharmacy located in New Providence, N.J. Meet Mel Mirrer, owner of Mirrer Pharmacy. 20

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Rx'ers defining role of technicians

By Elizabeth Richardson

Pharmacists are fighting a new kind of turf war that could change the way they practice pharmacy. Only this time, the turf they are trying to protect isn't on city streets, it's in their own prescription departments.

As though it weren't enough for today's pharmacist to fend off encroaching competition from supermarkets, combo stores, mail order and physicians who dispense, many are faced with a more personal problem closer to home: how to define the role of pharmacy technicians working behind their counters.

The controversy surrounding the role of supportive personnel is nothing new to pharmacy. Ever since pharmacists' workload started prohibiting them from leaving the prescription counter to counsel patients, the definition of what a pharmacy technician's duties should be has been the topic of discussion among state associations and boards of pharmacy. Unfortunately, the industry as a whole has yet to come to a consensus on the issue. As heavy workloads continue to plague pharmacists, many state boards and associations have begun to seriously address the issue head-on by formulating regulations for technicians and their duties amid much controversy.

Continued on page IP10

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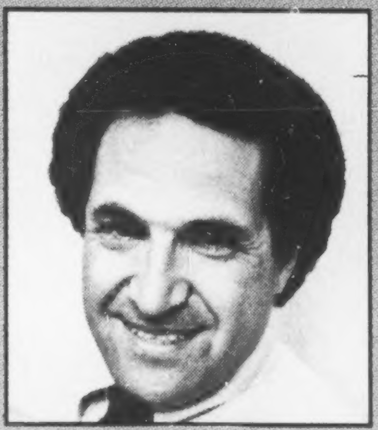
What goes around, comes around



COHEN'S CAPSULES

HAROLD COHEN

As another year comes to a close and I begin my seventh year at *Drug Store News* and fourth year at the helm of *Inside Pharmacy*, I can't help but reflect on the state of pharmacy, and maybe even gaze a bit into the future.

While recently chatting with some members of our pharmaceutical community, I was asked what I thought would be some of the more troublesome areas facing the profession in the coming year. It took me all of five seconds to come up with a reply.

No. 1 on my hit list of problems, not only over the next year, but over the next several years, is the staggering and frightening rise of third-party prescriptions. Third-party prescriptions are predicted to comprise about 70 percent of all prescriptions filled by the end of the century. If reimbursement schedules that continue to spiral downward aren't brought under control soon, it will be the ruin of pharmacy as a profession. Maybe pharmacy as a business will barely survive, but pharmacy as a profession will have seen better days. Fighting for that almighty third-party contract will certainly have its effect on key expenses, like pharmacists' salaries. Store owners will have to cut back. The pressure on each pharmacist to fill a greater number of prescriptions will obviously increase. There will be no time for an average pharmacist to practice the *profession* of pharmacy. And, if you think we have a pharmacy manpower problem today, wait.

The multi-tier curse

Another problem I see looming large in the year ahead is multi-tier and discriminatory pricing. It doesn't take a genius to figure out that the pharmacy getting the best prices from manufacturers is in a better position to deal in low third-party reimbursement contracts. Is it fair that one segment of our market gets treated to substantially lower prices than another? Absolutely not. Pharmaceutical manufacturers who continue to practice multi-tier pricing are simply choking the profession. It should be stopped, and stopped now.

To a lesser extent, I think physician dispensing will continue to plague retail pharmacy in some geographical areas. Although I don't see it wreaking the same kind of havoc nationwide as I envision third-party doing, it will continue to be bothersome and financially upsetting in some communities. Last year prescriptions dispensed by physicians accounted for 1 percent of retail prescription sales. My position is simple: physicians should not dispense medications for profit. But if they must, they should be licensed and subjected to the same legislation and regulation as pharmacists, including pharmacy continuing education separate and apart from their medical continuing education.

Unfortunately for many retailers, especially the independents, mail order will continue to grow. Let's face it. As long as retail walk-in pharmacies continue not giving the kinds of services and prices to keep consumers shopping in their stores, prescription mail order houses will unfortunately continue to grab a piece of the pharmacy marketplace. Last year prescription mail order companies took 5 percent of the nation's prescription sales for themselves.

Well, Cohen, thanks for depressing me, you say. Is there any good news? I think so. I don't think the future of retail pharmacy looks as bleak as I may have painted it.

Marketing the key

Although it looks like third-party programs' hands will dig deeper into pharmacists' pockets, I think some good might come out of all of this nonsense. First, I think that once good, old-fashioned service hits an all-time low at retail pharmacies, consumers will revolt. They will finally wake up and realize they can't have their prescriptions and service too. I also think that pharmacists will have to find alternate ways of keeping customers from running to exclusive third-party providers. We'll see more creative, professional marketing programs by pharmacists. A greater use of technicians will allow pharmacists to consult with patients and become more visible to the public. Along those lines, some states are already considering mandatory consultation laws. While the process is certain to be evolutionary, I think eventually, as more sophisticated drugs flood the market, the pharmacist will be able to charge for his or her services.

I think we will see less physician dispensing as many states put into action laws that will force physicians to follow the same regulations as pharmacists. At that point, I think most physicians will become disgusted and give up their practice of dispensing prescriptions.

Once retail pharmacy begins to show that it has some clout again, pharmaceutical manufacturers will come around and discontinue multi-tier pricing.

On the generic scene, as third-party prescriptions become a mainstay and after the dust settles from the current generic scandal, generics will become stronger than ever, with fewer companies competing for the business. I also think that the scandal will strengthen the FDA, and it will once again become a regulatory agency of note.

You've all heard the expression "what goes around comes around?" Well I think it's pharmacy's turn to come around.

Let me take this opportunity to thank all my readers for their loyalty and support and to wish all of you a joyous holiday season and a healthy, happy, New Year.

My Way of Thinking. . .

"My Way of Thinking" is intended to give responsible members of the health care community a professional forum to air their views on crucial issues confronting pharmacy today. Presentations should be no longer than 500 words and may be edited for space requirements. Interested participants should mail their presentations to Harold Cohen, Editor, Inside Pharmacy, 425 Park Avenue, New York, N.Y., 10022. Articles will be chosen and published at the editor's discretion.

One would be hard-pressed to find a pharmacist who would support or condone physician dispensing. While the work being done on state and federal levels by a number of organizations is admirable, there is no solution or relief for the short-term problems facing pharmacy.

The most recent frontal attack is being made through home medical equipment (HME) dealers. At least one drug repackager is trying to broaden its penetration into the physician dispensing market by bringing the HME dealer in as an ally.

During a recent home health care conference, a drug packager told HME dealers they could make a $2,000 profit per physician by getting physicians in their area to dispense. They suggested that the HME dealer could make as much as six figures without an investment.

Perhaps it is time for the pharmacist to stop waving the S.O.S. flag while the ship is sinking, and start bailing and allow those retailers with the ability to plug up the holes the time to do their job.

Who is in a better position to assure proper packaging and labeling of prescription drugs? Who is more local than the neighborhood pharmacist? Who is in a better position to help assure that the proper auxiliary labels and printed patient instructions are made available to the patient? Who is in a better position to benefit from a good pharmacist-physician relationship and fill those prescriptions that the dispensing physician does not stock or for the third-party who will not pay the physician or the physician who elects not to do the paperwork?

Some might consider such a proposal heresy or an unprofessional attitude, others claim that a pharmacist can't sit on both sides of the fence.

How can pharmacy be so naive as to think that it is going to stop physician dispensing in its tracks without sustaining any casualties? Most of today's pharmacists have computers which could easily be modified to produce multiple labels which would provide adequate inventory and other controls.

If a particular physician or group of physicians are going to dispense, is it better for them to obtain their inventory from across the country or state or through a local source such as a local pharmacy?

In today's marketplace, diversification is a necessity, not a luxury. My strategy for survival is simple: (1) protect your base by going after mail order contracts or by supplying physicians who wish to dispense; (2) diversify in home medical equipment or other such areas; and (3) find niches where services are wanted and people are willing to pay for them.

By protecting your base, you will help ensure your long-term survival. You will also have the ability to wait for the powers-to-be to prohibit physician dispensing or until third-party payers "weed out" dispensing physicians by eliminating the "cash" market.

Your future is in your hands—are you a flag waver or a bailer?

Steven R. Ariens, P.D.
Consumer Pharmacy & Homecare Center
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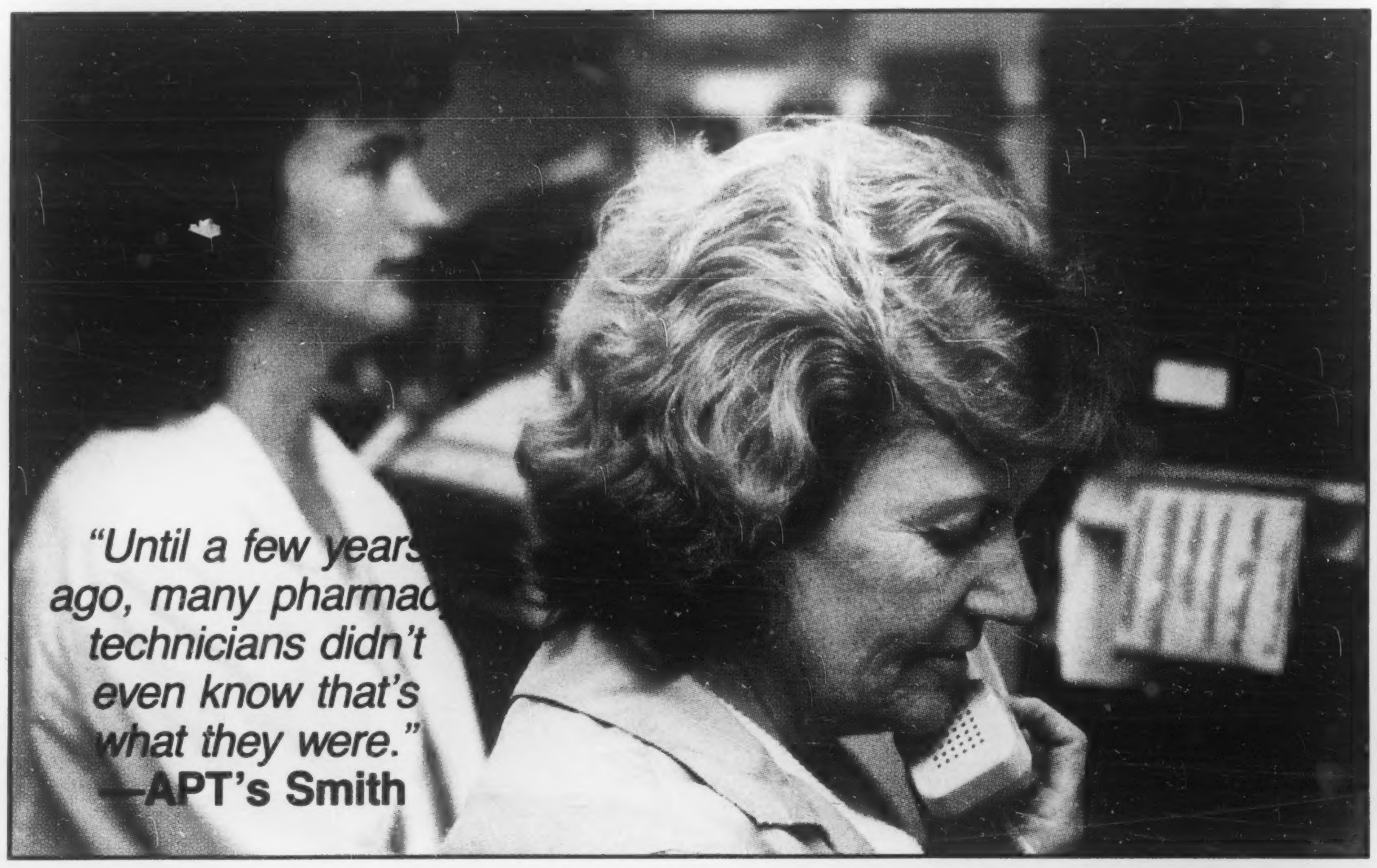
Pharmacists define technician's role



“Until a few years ago, many pharmacy technicians didn't even know that's what they were.” —APT's Smith

Continued from page IP1

Much of the controversy centers on pharmacists' fear that technicians will eventually move into roles previously reserved solely for pharmacists, such as counting and pouring.

“There really is apprehension among retail pharmacists,” says Lorna M. Smith, president of the Association of Pharmacy Technicians (APT). “They're afraid we're going to take over their job. I tell them there's no way we could take over their job — we don't have the education and license to do so.

“The controversy over techs has been going on for years, but hasn't been publicized that much until recently,” she continued. “They (pharmacists) act like they just noticed that we're there all of a sudden—like we're some kind of disease. They say ‘we've got these technicians here now —what are we going to do with them?’ ”

Smith advocates a national certification system for technicians. To that end, APT has formed committees to work on a correspondence course especially for techs.

Some state associations, such as Michigan and New Hampshire, have set up their own certification programs, aimed at improving the knowledge base and credibility of technicians.

In 1981, the Michigan Pharmacists Association, realizing the need for technicians to have some kind of formal education, set up its Pharmacy Certified Technician (PCT) program. The association also set up an MPA affiliated chapter in 1984, the Michigan Society of Pharmacy Technicians (MSPT) to serve the technician sector in the state.

Larry D. Wagenknecht, executive director MPA, explained that the association conducts a full-day exam twice a year which includes questions on basic science, math and pharmacology areas. Individuals must also be familiar with common drugs — their brand and generic names — as well as basic allegations and dilutions, he added.

“The philosophy in Michigan is a little different,” Wagenknecht said. “It's so competitive price-wise and pharmacists realize they cannot afford to do all of the counting and pouring and they must use these techs in order to survive. It's the only thing we could do to deal with the competition.”

Difference of opinion

Other states, such as Texas and California, are taking steps to define the role of the pharmacy technician. On average, most states advocate a 1:1 ratio, but oppose certification or licensure of technicians.

In Texas, the issue of technicians' duties ended in a court battle. Texas Pharmaceutical Association recently settled a lawsuit with the state board which resulted in a regulation stating the pharmacist has the ultimate authority for supervision of supportive personnel and is responsible for their training.

In California, a similar regulation is under review to allow non-licensed personnel to assist pharmacists in the community setting, according to Patty Harris, assistant executive officer of the California State Board of Pharmacy. The regulation was sent to the Office of Administrative Law, and a decision is due this month.

Baby steps

Harris states that certification in California will be a while in coming if the regulation passes.

“We've got to take the baby step first and get recognized in the community setting first,” she said. “Let's get some history there. Then I think we might evolve to where we'll have voluntary certification through different associations and companies.”

State boards and associations aren't the only ones interested in technician certification. Bob Duffy, vp-professional services at Happy Harry's, states that his chain plans to roll out a certification process by the beginning of the year.

“It's going to be a series of testing, with three different stages of testing and three different levels of certification, defining and recognizing the role and knowledge of the tech,” he explained.

“There's no question about it in my mind that if properly monitored, I think the role of technicians is extremely valuable,” he continued. “If we provide a higher level of training, then we're even better off.”

National attention

The issue of defining a pharmacy technician's duties has drawn national attention and a heightened awareness in the pharmaceutical community. Last year, for example, the University of Maryland Center on Drugs and Public Policy conducted an Invitational Conference on Technical Personnel in Pharmacy. More than 70 pharmacists and pharmacy technicians discussed certification and training requirements, the pharmacist-technician relationship, and the legal constraints imposed on the use of technicians. This was one of the first efforts of its kind to bring together pharmacists and technicians — in a harmonious fashion.

Many technicians are also joining associations such as the Association of Pharmacy Technicians to let their voice be heard.

“Until a few years ago, many pharmacy technicians didn't even know that's what they were,” APT's Smith said. “A lot of techs are pharmacy students waiting to get their degrees. Others are people who just draw a paycheck. But the majority are really career-minded people. Most are very involved in their jobs and are very motivated and dedicated to health care.”

The association currently has over 600 members, ranging from 16 to 18 different fields in pharmacy, according to Smith. The majority are from hospitals, but the numbers are increasing from home health care, nursing homes and related areas, she added.

Salaries vary

Salaries for technicians vary greatly. In an APT 1985 survey, the salary range for technicians was between $8,000 and $25,000. Smith expects technicians' salaries to increase in the future as more seek specialized positions within pharmacy.

Michigan's Wagneknecht agrees. “Pharmacists have t realize that some tasks could be performed by technicians,” he said. “You don't use 5 to 6 years of education just to go out and count and pour. Unless we can get ourselves away from that, I think our profession is in serious trouble. We need to move toward providing patient information and patient care management.

“This is where we're going to look toward our national organizations so that between all of us, we can really put ou arms around a direction tha will lead pharmacy into the future, instead of building a wal around ourselves and letting technology go beyond us.”

Demographic data

Practice Classification	
Independent Pharmacy	35%
Hospital Pharmacy	39%
Chain Pharmacy	10%
*Other	16%
(*Examples include HMO's home health care, and teaching)	
Average Years as a pharmacy technician	8
Average years in present location by practice classification	
Independent	8
Hospital	6
Chain	8
Other	6
Average age for all pharmacy technicians	35
By classification:	
Independent	33
Hospital	35
Chain	37
Other	38
Sex of respondants:	
Females	88%
Male	12%

Source: 1988 Pharmacy Technician Economic Survey; Michigan Pharmacists Association.

Average Hourly Base Wage

1983	$6.43
1984	6.99
1985	7.22
1986	7.16
1987	6.85
1988	7.62

Source: 1988 Pharmacy Technician Economic Survey; Michigan Pharmacists Association.

Comparison of wage and duty hours

Average:	Hourly rate	Salary per week	Duty hours	% change from 1987
Independent	$6.85	$298.87	36	+ 6%
Hospital	8.02	279.67	36	+ 5
Chain	6.40	230.00	37	+ 13
Other	9.70	348.75	38	+ 30
All	7.62	293.76	36	+ 10

Source: 1988 Pharmacy Technician Economic Survey; Michigan Pharmacists Association

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Brand awareness drives OTC buying habits

Continued from page IP1

According to the 1989 *Drug Store News* Consumer Brands Preference Study (a telephone survey that investigated buying habits of 600 female shoppers 18 years of age or older in six major markets), 83 percent of the shoppers polled reported that brand is a very important factor in their decision to purchase one OTC pharmaceutical product over another. The survey investigated some of the hottest OTC categories in the marketplace, including cough/cold, analgesics, eye care/lens care, laxatives and dental.

Although dental products such as toothpaste, mouthwashes and rinses were once perceived as toiletries in the minds of many consumers, advanced formulas to fight plaque and tartar have prompted many drug store owners to planogram them closer to more familiar OTC pharmaceutical categories.

No doctor visit

Over-the-counter pharmaceutical products enjoy their healthy sales picture, in part, because of a desire by many consumers to treat uncomplicated medical problems themselves, avoiding a costly visit to their family doctor.

As Jack Walden, senior vp and director of public affairs for the Nonprescription Drug Manufacturers Association, points out: "The average OTC [remedy] still costs about $2.50, and you can still cure a headache for less than a dime."

Media blitz

While trends like Rx-to-OTC switches and self-care are important to increased OTC sales, nothing promotes brand preference like advertising and public relations campaigns.

While advertising is an obvious method of increasing brand awareness, companies occasionally are treated to "free" advertising, thanks to important medical studies that can have a profound effect on specific product categories. A good example in the analgesic category is the surge of aspirin sales after *The New England Journal of Medicine* published an article reporting that taking aspirin daily reduces the risk of heart attacks. Similarly, another study reporting that bulk laxatives can lower cholesterol spurred growth in the laxative category.

Store managers' brand preferences: analgesics

(% mentioning brand)

Tylenol	58%
Advil	21
Bayer	7

. . . cough/cold

(% mentioning brand)

Robitussin	57%
Dimetapp	11
Nyquil	8

. . . eye care/lens care

(% mentioning brand)

Bausch & Lomb	59%
Visine	9
Alcon	6

Source: Alert Marketing, Inc.

Number of regular OTC brand users: how six major markets rank

1. Atlanta
2. Chicago
3. Houston
4. Wash., D.C.
5. Los Angeles
6. Boston

Source: Fairfield Research, Inc.

Brand loyalty

One should not confuse brand preference with brand loyalty. An example of an OTC product category having a high degree of brand preference with relatively low brand loyalty is the cough/cold category. According to the study, 88 percent of the shoppers questioned said they normally choose a cough/cold product based on a specific brand. However, two out of five survey respondents said they would switch to another brand if the store did not have their regular brand in stock.

The study did uncover another OTC category that does couple high brand preference with the highest degree of loyalty among the shoppers. That category is eye care/lens care. Ninety-one percent said they would go to another store or wait until their own drug store had their regular brand if they didn't find it in the store they usually shop.

Most shoppers who wear contact lenses feel their eyes are too "valuable" to take a chance on an unproven brand and therefore are more likely to purchase and stick to a specific brand recommended by their doctor. For that reason, manufacturers of OTC lens care products concentrate heavily on detailing to fitters of contact lenses by giving away (or selling for a nominal charge) "starter kits" of cleaning and saline solutions used by contact lens wearers. Industry observers said that brand loyalty of eye care/lens care products lasts about one year. After that, there is some switching, but relative to the other OTC categories looked at in the study, the switching is nominal.

Cough/cold OTC sales benefit from pharmacists' recommendations and from planograms which place them near the allergy medicines.

CONSUMER BRANDS PREFERENCE STUDY

The study found that 86 percent of those polled said they buy a regular brand of laxatives, while only 10 percent said they would switch if they couldn't get their brand at their drug store.

But the link between brand preference and brand loyalty is not as strong when it comes to dental products like toothpaste, mouthwashes and rinses. Although the study showed the purchase of these dental products carries the strongest brand preference among consumers, dental is also the most highly substituted category when consumers' specific brands are not readily available. According to the study, a resounding 94 percent of the shoppers said they buy toothpaste, mouthwash and rinses based on brand preference, while more than half (55 percent) said they would substitute another toothpaste, and 32 percent said they would substitute another mouthwash/rinse brand, if their store did not have their regular brand in stock.

Analgesics

Despite some temporary dips in Tylenol's sales during the cyanide tamperings of the early '80s, the non-aspirin analgesic remained a best-seller among adults and parents of small children, due mainly to strong relationships McNeil forged with pediatricians and family physicians, and questions about aspirin's role in Reyes' Syndrome.

With the introduction of OTC ibuprofen, the first chemical entity to enter the OTC analgesic category in several decades, observers speculated that OTC ibuprofen would overtake Tylenol in sales.

But ibuprofen was to develop its own following. While Tylenol is taken by all ages, it has established a strong franchise among pediatricians who recommend the analgesic for their young patients. Ibuprofen, available as a prescription product in stronger strengths, was destined to be a hit primarily among adult consumers because of its image as a prescription analgesic, especially effective as an antiarthritic. It is not available over-the-counter as a drop, liquid or chewable, as is Tylenol.

Although aspirin sales remained essentially flat over the past several years, and practically nonexistent as a chewable children's dosage due to its link with Reyes Syndrome, the drug enjoyed a recent spurt in sales to adults thanks to a report linking it the prevention of heart attacks. The brand of aspirin most preferred by consumers in the study was Bayer.

Cough/cold

The $242 million OTC cough/cold product cateorgy continues to be a leader in drug stores.

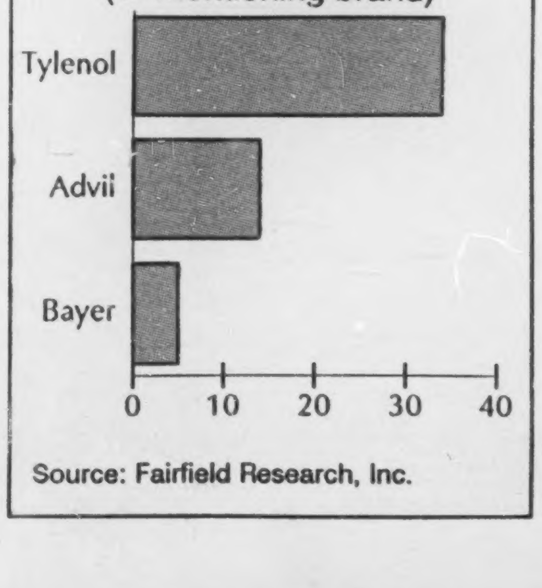
Probably no other OTC category has benefited more from Rx-to-OTC switches than has cough/cold products. But interestingly, the study revealed that switched products were not among those that had the highest brand preference among consumers.

While Robitussin is not a switched Rx-to-OTC product, it has benefited over the years from a professional advertising campaign that urges consumers to "ask their pharmacist or doctor" about the

Continued on page IP14

Consumers' favorite analgesic brands

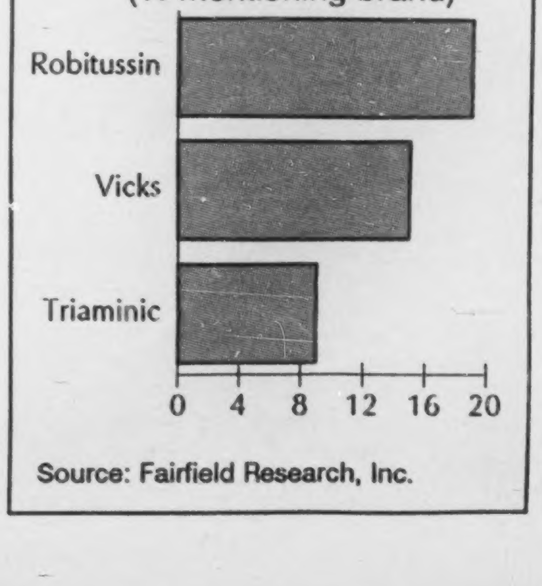
(% mentioning brand)



Source: Fairfield Research, Inc.

Consumers' favorite cough/cold brands

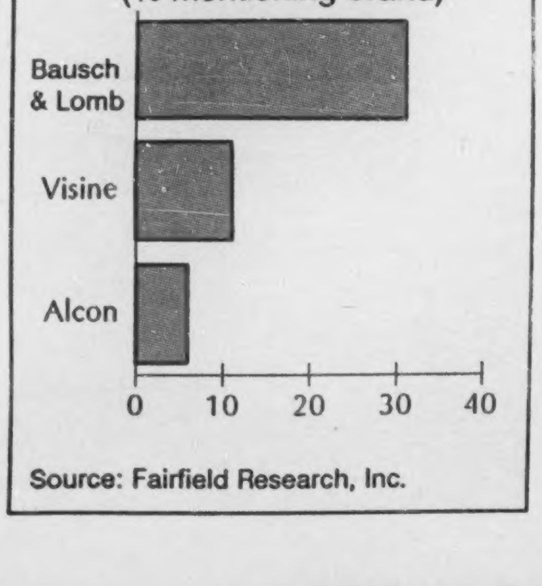
(% mentioning brand)



Source: Fairfield Research, Inc.

Consumers' favorite eye care/lens care brands

(% mentioning brand)



Source: Fairfield Research, Inc.

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CONSUMER BRANDS PREFERENCE STUDY

Store managers' brand preferences: laxatives

(% mentioning brand)

Metamucil	38%
Correctol	19
Maalox	13

Source: Alert Marketing, Inc.

Brand choices drive OTC buys

Continued from page IP13

product.

The category also benefits from most retailers' planogramming of allergy products together with cough/cold products. This has prompted some consumers to choose a cough/cold product when in actuality they wanted an allergy product, and vice versa.

Eye care/lens care

The majority of people purchasing OTC eye care/lens care products are contact lens wearers using a variety of solutions to disinfect and clean their lenses. Of the six OTC products mentioned by users of eye care/lens care products, four were for solutions used to clean or disinfect contact lenses and two were used to treat irritated eyes.

Compliance is a major factor for manufacturers and users of lens care products. Most lens users would rather forego a lengthy cleaning and disinfecting process for the newer "one-step" disinfectants.

Purchasers of eye care/lens care products are extremely brand loyal. Few stray from physicians' recommendations and remain loyal for approximately one year.

While there are a number of eye drops on the market to treat eye irritations due to allergies, Visine remains the most popular. Visine is heavily advertised to "get the red out," a condition experienced by just about everyone at one time or another. Like lens wearers, individuals who use eye drops for minor eye irritations are very brand loyal.

Almost one-third (31 percent) of polled consumers who have a regular brand said that recommendations from their pharmacist and/or physician were a reason they purchase one brand over another.

Laxatives

Convenience and targeted advertising campaigns are two important factors in the marketing of laxatives. While laxatives come in many different dosage forms, tablets and those in a chocolated dosage form proved to be the most popular among the consumers polled.

Topping the list of laxatives most preferred by consumers in the study was Correctol, chosen by 28 percent. (Keep in mind that the sample was made up of females, and Correctol is marketed directly to women.)

Another favorite, picked by 20 percent of the consumers, was Ex-Lax, available in its original chocolated form and also in tablets.

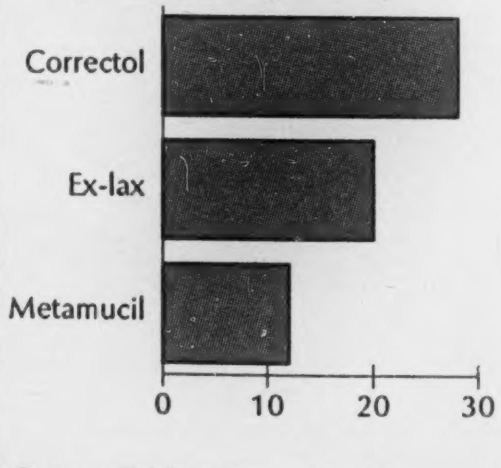
Medical claims linking bulk laxatives, such as Metamucil, to lowered cholesterol levels helped boost Metamucil into third place among consumers polled in the study.

Laxative buyers are very brand loyal. The study revealed that 80 percent purchased their regular major brand during their last purchasing episode with only 6 percent substituting their regular brand for another.

See page IP18 for dental care.

Consumers' favorite laxative brands

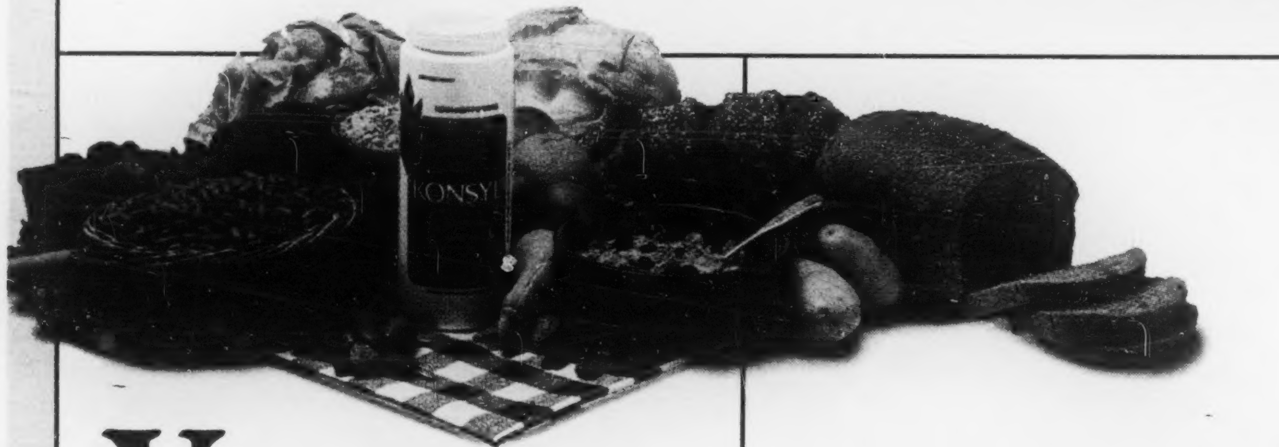
(% mentioning brand)



Source: Fairfield Research, Inc.

Konsyl®...
For Healthy Sales and Your Customers' Wellness

Stock, Promote, and Recommend Konsyl® Profitably.



You know the latest research. For optimum health, your customers need 25-30 grams of fiber per day. The problem is, the average American gets only 10-20 grams per day in his diet.

In addition to recommending better eating habits, you should consider recommending Konsyl. Your customers will find, by using Konsyl (the only fiber supplement with 6g of psyllium per dose), they can meet their daily dietary fiber requirements. You will find by stocking Konsyl, you are not only helping your customers' health, you are also increasing your sales volume and profit margin in your bulk laxative department.

Reasons to Stock Konsyl

- Over Thirty Years of Consistent Sales
- Increasing Consumer Promotion for Konsyl

KONSYL ... Maximum soluble fiber for your improved health
SAVE $1.00

Over 7 million coupons distributed via F.S.I. and Physician Samples during 1989.

- Ongoing New Distribution Program for OTC Placement
- Increasing Public Awareness of Konsyl via Public Relations Programs
- Increasing Medical Promotion of Konsyl

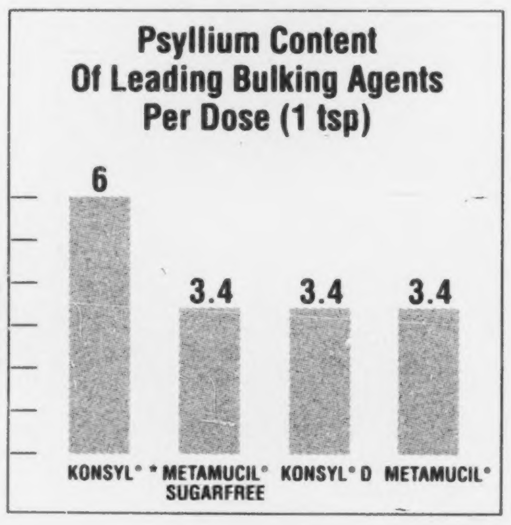
Diseases of the COLON & RECTUM
Practical Gastroenterology
SENIOR PATIENT
Straight Talk About Dietary Fiber

Reasons to Promote Konsyl

- Active Trade Promotion Program for OTC Placement
- Free Goods and Extra Dating on Specific Programs
- Co-op Advertising and Display Allowances
- Consumer Literature "Straight Talk About Dietary Fiber" Now Available

Reasons to Recommend Konsyl

- 100% Pure Psyllium (6g per dose)
- Sugar-Free and Sugar-Substitute Free
- Low Sodium
- Best Fiber Value Per Dose
- Start Your Customers on a Dependable Bulking Agent That Gives You a Fair Profit



When you recommend an outstanding product at a fair price, you should expect to make a reasonable profit.

LAFAYETTE

To place your Konsyl orders, contact:

Lafayette Pharmaceutical, Inc.
4200 South Hulen
Fort Worth, Texas 76109
Phone: (817) 763-8011
Fax: (817) 731-9389

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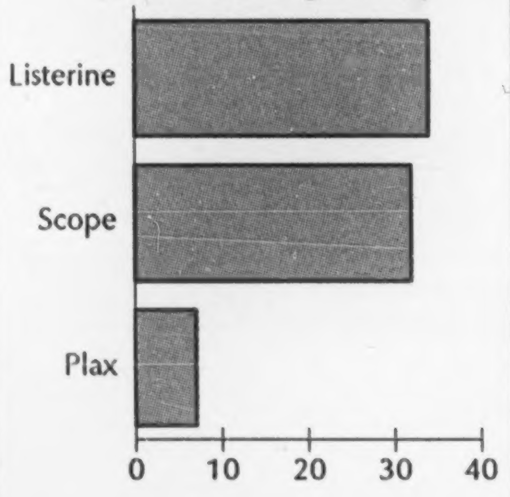
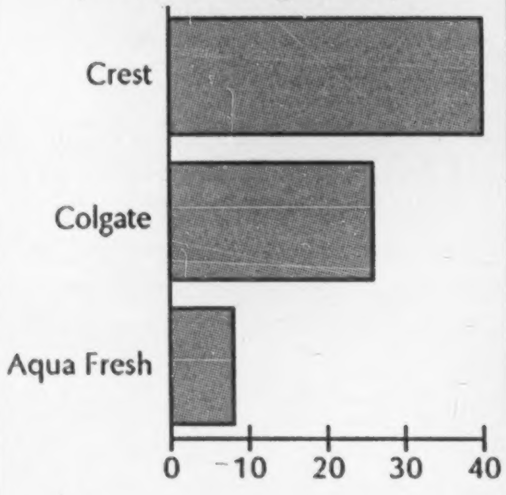


Consumers' favorite mouthwashes/rinses
(% mentioning brand)

Source: Fairfield Research, Inc.



Consumers' favorite toothpaste brands
(% mentioning brand)

Source: Fairfield Research, Inc.

Dental care customers bite for switch

CONSUMER BRANDS PREFERENCE STUDY

In the dental care category, although 94 percent of the consumers polled said they have a regular brand of toothpaste and mouthwash/rinse, they are also quite willing to switch brands if their regular brand is unavailable.

More than half the total sample (55 percent) said they would buy another brand of toothpaste if their regular brand wasn't in stock. And, 32 percent of mouthwash/rinse buyers would switch brands in that same instance.

Interestingly, product benefits such as plaque-removers, tartar control and fluoride additives did not rank high on the list of why consumers choose a particular toothpaste. Instead, the total sample chose Crest, Colgate and Aqua Fresh, in that order, based on their trust in the brand, good past experience, and habitual buying of these brands.

Store manager preferences concurred with consumer preferences.

Despite consumers' somewhat noncommittal attitude toward their brands' product benefits, manufacturers are still touting benefits of their tartar control paste and gel formulas, and pouring advertising dollars into their claims.

Mouthwashes and rinses

Almost six repondents out of every 10 bought a mouthwash/rinse within the last six months to supplement their brushing habits. Again, despite recent FDA queries into plaque-fighting labelling claims on mouthwashes and rinses, consumers are buying these products because of good past experiences with them, rather than paying much attention to the brand's touted benefits.

Mouthwash/rinse consumers, as a total sample, were less concerned with whether their brand rinses away tartar and makes their mouth feel clean and fresh than with whether they trusted their favorite brand and bought it habitually.

Consumers and store managers agreed on the the top three brands of mouthwashes/rinses: Listerine was ranked No. 1, followed by Scope and Plax.

It's no wonder that Warner Lambert's Listerine ranked the brand most preferred among consumers and store managers, since this old patent standby, in it's familiar package, has been around for ages.

Store managers' brand preferences: toothpaste

(% mentioning brand)

Crest	59.2%
Colgate	20.8
Aqua Fresh	5.8

Source: Alert Marketing

Store managers' brand preferences: mouthwash/rinse

(% mentioning brand)

Listerine	53.3%
Scope	25.9
Plax	10.0

Source: Alert Marketing

A NEW CHOICE FOR PEDIATRIC CARE

Children's Advil®
(ibuprofen)
Suspension
100mg/5mL

BRIEF SUMMARY OF PRESCRIBING INFORMATION
CONTRAINDICATIONS: Patients hypersensitive to ibuprofen or patients with all or part of the syndrome of nasal polyps, angioedema, and bronchospastic reactivity to aspirin or other nonsteroidal anti-inflammatory agents. Anaphylactoid reactions to ibuprofen have occurred in such patients.
WARNINGS: Risk of GI Ulcerations, Bleeding, and Perforation with NSAID Therapy: Physicians should remain alert for ulceration and bleeding in patients treated chronically with NSAIDS even in the absence of previous GI tract symptoms. In patients observed in clinical trials of several months' to two years' duration, symptomatic upper GI ulcers, gross bleeding or perforation appear to occur in approximately 1% of patients treated for 3-6 months, and in about 2-4% of patients treated for one year.
Except for a prior history of serious GI events and other risk factors known to be associated with peptic ulcer disease, no risk factors have been associated with increased risk. Elderly or debilitated patients seem to tolerate ulceration or bleeding less well than other individuals and most spontaneous reports of fatal GI events are in this population.
PRECAUTIONS: General: Because serious GI tract ulceration and bleeding can occur without warning symptoms, physicians should follow chronically treated patients for the signs and symptoms of ulceration and bleeding.
Blurred and/or diminished vision, scotomata, and/or changes in color vision have been reported. If a patient develops such complaints the drug should be discontinued and the patient should have an ophthalmologic examination.
Fluid retention and edema have been reported with ibuprofen; therefore, the drug should be used with caution in patients with a history of cardiac decompensation or hypertension.
Ibuprofen can inhibit platelet aggregation and prolong bleeding time. CHILDREN'S ADVIL® SUSPENSION should be used with caution in persons with intrinsic coagulation defects and those on anticoagulant therapy.
The antipyretic and anti-inflammatory activity of ibuprofen may reduce fever and inflammation, thus diminishing their utility as diagnostic signs in detecting complications of presumed noninfectious, noninflammatory painful conditions.
Small decreases (usually not exceeding one gram) in hemoglobin and hematocrit with an apparent dose response relationship have been observed following chronic administration. If there are no signs of bleeding, it is probably not clinically important.
To avoid exacerbation of disease or adrenal insufficiency, patients on prolonged corticosteroid therapy should have their therapy tapered slowly when CHILDREN'S ADVIL® SUSPENSION is added to the treatment program.
Aseptic meningitis: Aseptic meningitis with fever and coma has been observed on rare occasions in adult patients on ibuprofen therapy. Although it is more likely to occur in patients with systemic lupus erythematosus and related connective tissue diseases, it has been reported in adult patients who do not have underlying chronic disease. If signs or symptoms of meningitis develop in a patient on CHILDREN'S ADVIL® SUSPENSION, the possibility of its being related to ibuprofen should be considered.
Renal Effects: As with other nonsteroidal anti-inflammatory drugs, long-term administration of ibuprofen to animals has resulted in renal papillary necrosis and other abnormal renal pathology. In humans, there have been reports of acute interstitial nephritis with hematuria, proteinuria, and occasionally nephrotic syndrome.
A second form of renal toxicity has been seen in patients with prerenal conditions leading to reduction in renal blood flow or blood volume. In these patients, administration of a nonsteroidal anti-inflammatory drug may cause a dose dependent reduction in prostaglandin formation and precipitate overt renal decompensation. Patients at greatest risk of this reaction are those with impaired renal function, heart failure, liver dysfunction, and those taking diuretics and the elderly. Those patients at high risk who chronically take CHILDREN'S ADVIL® SUSPENSION should have renal function monitored if they have signs or symptoms of azotemia. Discontinuation of nonsteroidal anti-inflammatory drug therapy is typically followed by recovery to the pretreatment state.
Since ibuprofen is eliminated primarily by the kidneys, patients with significantly impaired renal function should be closely monitored and a reduction in dosage should be anticipated to avoid drug accumulation.
Information for Patients: Physicians may wish to discuss with their patients the potential risks and likely benefits of treatment with CHILDREN'S ADVIL® SUSPENSION.
Laboratory Tests: Meaningful (3 times the upper limit of normal) elevations of SGPT or SGOT (AST) occurred in controlled clinical trials in less than 1% of patients. A patient with symptoms and/or signs suggesting liver dysfunction, or in whom an abnormal liver test has occurred, should be evaluated for evidence of the development of more severe hepatic reactions while on therapy with ibuprofen. If abnormal liver tests persist or worsen, if clinical signs and symptoms consistent with liver disease develop, or if systemic manifestations occur, CHILDREN'S ADVIL® SUSPENSION should be discontinued.
Diabetes: Each 5 mL of CHILDREN'S ADVIL® SUSPENSION contains 2.5 g of sucrose which should be taken into consideration when treating patients with impaired glucose tolerance. It also contains 350 mg of sorbitol per 5 mL. Although in clinical trials CHILDREN'S ADVIL® SUSPENSION was not associated with more diarrhea than control treatments, should a patient develop diarrhea, the physician may wish to review the patient's dietary intake of sorbitol from other sources.
Drug Interactions: *Coumarin-type Anticoagulants:* Bleeding has been reported when ibuprofen and other nonsteroidal anti-inflammatory agents have been administered to patients on coumarin-type anticoagulants; the physician should be cautious when administering CHILDREN'S ADVIL® SUSPENSION to patients on anticoagulants.
Aspirin: Concurrent use of aspirin is not recommended.
Methotrexate: In vitro studies indicate that ibuprofen could enhance the toxicity of methotrexate. Caution should be used if CHILDREN'S ADVIL® SUSPENSION is administered concomitantly with methotrexate.
H_2 Antagonists: In studies with human volunteers, coadministration of cimetidine or ranitidine with ibuprofen had no substantive effect on ibuprofen serum concentrations.
Furosemide: Ibuprofen can reduce the natriuretic effect of furosemide and thiazides in some patients. During concomitant therapy with CHILDREN'S ADVIL® SUSPENSION, the patient should be observed closely for signs of renal failure as well as to assure diuretic efficacy.
Lithium: Ibuprofen produced an elevation of plasma lithium levels (15%) and a reduction in renal lithium clearance (19%) in a study of 11 normal volunteers during the period of concomitant drug administration. Patients should be observed carefully for signs of lithium toxicity. Read package insert for lithium before its use.
Pregnancy: Administration of ibuprofen is not recommended during pregnancy or for use by nursing mothers.
Infants: Safety and efficacy of CHILDREN'S ADVIL® SUSPENSION in children below the age of 12 months have not been established.
ADVERSE REACTIONS: The most frequent type of adverse reaction occurring with CHILDREN'S ADVIL® SUSPENSION is gastrointestinal. In clinical trials among adults involving chronic administration of ibuprofen, the percentage of patients reporting one or more gastrointestinal complaints ranged from 4% to 16%.
Incidence Greater Than 1% (but less than 3%), Probable Causal Relationship
Gastrointestinal: Nausea,* epigastric pain,* heartburn,* diarrhea, abdominal distress, nausea and vomiting, indigestion, constipation, abdominal cramps or pain, fullness of the GI tract (bloating and flatulence).
Central Nervous System: Dizziness,* headache, nervousness.
Dermatologic: Rash (including maculopapular type),* pruritus.
Special Senses: Tinnitus.
Metabolic/Endocrine: Decreased appetite.
Cardiovascular: Edema, fluid retention (generally responds promptly to drug discontinuation) (see PRECAUTIONS).
*Reactions occurring in 3% to 9% of adult patients treated with ibuprofen.
Precise Incidence Unknown (but less than 1%), Probable Causal Relationship
Gastrointestinal: Gastric or duodenal ulcer with bleeding and/or perforation, gastrointestinal hemorrhage, pancreatitis, melena, gastritis, hepatitis, jaundice, abnormal liver function tests.
Dermatologic: Vesiculobullous eruptions, urticaria, erythema multiforme, Stevens-Johnson syndrome, alopecia.
Central Nervous System: Depression, insomnia, confusion, emotional lability, somnolence, aseptic meningitis with fever and coma.
Special Senses: Hearing loss, amblyopia (blurred and/or diminished vision, scotomata and/or changes in color vision) (see PRECAUTIONS).
Hematologic: Neutropenia, agranulocytosis, aplastic anemia, hemolytic anemia (sometimes Coombs' positive), thrombocytopenia with or without purpura, eosinophilia, decreases in hemoglobin and hematocrit (see PRECAUTIONS).
Cardiovascular: Congestive heart failure in patients with marginal cardiac function, elevated blood pressure, palpitations.
Allergic: Syndrome of abdominal pain, fever, chills, nausea and vomiting, anaphylaxis, bronchospasm (see CONTRAINDICATIONS).
Renal: Acute renal failure in patients with preexisting significantly impaired renal function (see PRECAUTIONS), decreased creatinine clearance, polyuria, azotemia, cystitis, hematuria.
Miscellaneous: Dry eyes and mouth, gingival ulcers, rhinitis.
Precise Incidence Unknown (but less than 1%), Causal Relationship Unknown
Central Nervous System: Paresthesias, hallucinations, dream abnormalities, pseudotumor cerebri.
Dermatologic: Toxic epidermal necrolysis, photoallergic skin reactions.
Special Senses: Conjunctivitis, diplopia, optic neuritis, cataracts.
Hematologic: Bleeding episodes (eg, epistaxis, menorrhagia).
Metabolic/Endocrine: Gynecomastia, hypoglycemic reactions, acidosis.
Cardiovascular: Arrhythmias (sinus tachycardia, sinus bradycardia).
Allergic: Serum sickness, lupus erythematosus syndrome, Henoch-Schonlein vasculitis, angioedema.
Renal: Renal papillary necrosis.
OVERDOSAGE: Patients with a history of ingestion of greater than 100 mg/kg should have induced emesis or gastric lavage. Multiple dose oral administration of activated charcoal may be useful. Supportive therapy may include oxygen, respiratory support, and parenteral fluids. Because the drug is acidic and excreted in the urine, administration of sodium bicarbonate and induction of diuresis may be beneficial.
DOSAGE AND ADMINISTRATION: Juvenile arthritis: 30-40 mg/kg day in 3 or 4 divided doses
Fever: 5 mg/kg if baseline temperature is 102.5°F or below or 10 mg/kg if baseline temperature is greater than 102.5°F every 6-8 hours (children); 400 mg every 4-6 hours (adults)
RA and OA: 1200-3200 mg per day in 3 or 4 divided doses
Mild to moderate pain in adults: 400 mg every 4 to 6 hours
Dysmenorrhea: 400 mg every 4 hours
HOW SUPPLIED: 4 and 16 oz. bottles
Caution: Federal law prohibits dispensing without prescription.

References:
1. Walson PD, Galletta G, Braden NJ, Alexander L. Ibuprofen, acetaminophen, and placebo treatment of febrile children. *Clin Pharmacol Ther.* 1989;46:9-17.
2. Independent Clinical Study: Reduction of Fever in Children, Multiple Dose. Data on file, Medical Department, Whitehall Laboratories.
3. Independent Clinical Study: Juvenile Arthritis. Data on file, Medical Department, Whitehall Laboratories.

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A HEALTH CARE DIVISION OF
AMERICAN HOME PRODUCTS CORPORATION

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Mixed results reported by Thrifty and parent co.

LOS ANGELES — Sharp discounting in key markets sapped Thrifty Corp.'s operating income for the third quarter ended Sept. 30, despite increased sales, according to company officials.

Operating income declined 15 percent, to $11 million for the quarter, from $13 million posted in the same period last year. Sales increased 19 percent to $763 million, as store count rose to 1,044 units; sales for stores open a year or more increased 3.8 percent.

Thrifty's parent company, Pacific Enterprises, saw third-quarter operating income rise from last year's $81 million to $84 million, while net income declined from $65 million last year to $49 million. A major real estate sale in last year's period boosted income levels by $16 million, noted Paul Miller, Pacific's chairman.

Arbor posts dividend in record 1st qtr.

TROY, Mich. — Arbor Drugs, Inc. posted a 52.7-percent increase in net income on sales increases of 17.1 percent for its first quarter ended Oct. 31. The $2.4 million in income, on $79.2 million in sales, was acheived with comparable store sales up 12.5 percent for the quarter, according to Eugene Applebaum, Arbor's chairman, president and ceo.

The board of directors declared a 4-cent cash dividend payable Jan. 2, 1990 to shareholders of record on Dec. 19, 1989.

Longs third qtr. sees hikes in net, sales

WALNUT CREEK, Calif. — Longs Drug Stores' third quarter ended Oct. 26 saw an 9-percent increase in net (to $12.7 million) and a 11-percent sales increase (to $509.8 million), the company announced.

Sales for the nine-month period also increased 9 percent, to $1.50 billion.

A quarterly dividend of 24 cents was declared by the board of directors, payable Jan. 3, 1990 to shareholders of record on Nov. 28, 1989.

Big B's 3rd quarter: sales up, net down

BIRMINGHAM, Ala. — Financing costs and one-time expenses related to the recent acquisition of 85-store Reed Drug caused Big B, Inc. to post a $584,000 loss in net income for the third quarter ended Oct. 21, even though the chain achieved record sales of $285.0 million, a 51.4-percent increase.

The company's board of directors approved a 4-cent divident, payable Dec. 15, to shareholders of record on Dec. 1, 1989.

Safeway's sales, profits gain in third quarter

OAKLAND, Calif. — Safeway Stores, Inc.'s third quarter ended Sept. 9 saw sales increase 4.2 percent to $3.31 billion, with operating profits up 29.6 percent to $112 million.

Company officials cited cost controls and customer-friendly store environments as contributing to a turnaround in net income. For the quarter, net income $7.1 million, compared to last year's $23.0 million, a period that saw $23.5 million in asset divestiture gains. Income for the year to date has reached $23.5 million, compared with a $4.6-million loss tallied by this time last year.

FoxMeyer's 2nd qtr. achieves turnaround

PITTSBURGH — Last year's restructuring of FoxMeyer Drug Co., the drug distribution unit of National Intergroup's FoxMeyer Corp., has begun to pay off, according to corporate officials. For the second quarter ended Sept. 30, FoxMeyer Drug Co. posted operating income figures of $8.9 million on sales of $595.0 million, compared to the $11.9-million-loss on $521.8 million in sales for last year's period.

FoxMeyer Corp. (comprised primarily of FoxMeyer Drug Co. and Ben Franklin Stores, Inc.), showed $6.5 million in operating income on $688.4 million in sales for the period, compared to the loss of $36.5 million incurred on $612.0 million in sales last year. Second-quarter results for National Intergroup itself saw net income of $8.6 million on $747.8 million in sales, compared to last year's net loss of $50.3 million on $623.5 million in sales.

Coutu Group gains

LONGUEIL, Québec — The Jean Coutu Group reported a 13-percent gain in revenues, to $124.0 million (Canadian), and a 35-percent increase in net earnings, to $6.5 million, for the first quarter ended Aug. 31.

The company declared a quarterly dividend of 3 cents payable Nov. 15 to shareholders of record Nov. 1.

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Vol. 11, No. 23 Dec. 11, 1989

MARKET DIARY:

Largest Dollar Gainer	Warner-Lambert	$ 7.38
Largest Dollar Loser	Melville Corp.	$ – 2.38
Largest Percentage Gainer	Perry Drug	19.05%
Largest Percentage Loser	Zenith Labs	– 42.86%

Advances	37
Declines	18
Unchanged	3
New highs	12
New lows	5

	Close 11/7/89	Close 11/28/89	Net Change	Percent Change
Dow Jones Industrial Average	2597.13	2702.01	104.88	4.04
Standard & Poor's 500-Stock Index	334.81	345.77	10.96	3.27
N.Y.S.E. Composite	185.74	191.34	5.60	3.01
Value Line Index	254.76	258.81	4.05	1.59

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 11/7/89	Closing Price 11/28/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.00	19.00	0.00	0.00	20	0.16	0.84	24.75	8.25
OTC	Big B	BIGB	13.00	12.88	– 0.13	– 0.96	18	0.16	1.24	15.25	10.63
OTC	Drug Emporium	DEMP	8.88	7.88	– 1.00	– 11.27	11	0.20	2.54	16.38	6.38
NYS	Fay's Inc.	FAY	11.50	11.75	0.25	2.17	15	0.20	1.70	15.00	8.63
ASE	Genovese Drug	GDX.A	10.88	10.50	– 0.38	– 3.45	15	0.24	2.29	12.88	8.75
OTC	Leroy Pharmacies (L)	LERY	4.25	3.63	– 0.63	– 14.71	26	0.00	0.00	5.38	3.63
NYS	Longs Drug Stores	LDG	42.38	43.88	1.50	3.54	15	0.96	2.19	46.00	33.63
OTC	Medicine Shoppe (H)	MSII	31.25	32.50	1.25	4.00	24	0.24	0.74	34.75	20.75
NYS	Perry Drug	PDS	7.88	9.38	1.50	19.05	10	0.00	0.00	13.50	5.25
NYS	Rite Aid Corp.	RAD	37.50	38.50	1.00	2.67	16	0.80	2.08	41.13	29.13
NYS	Walgreen Co.	WAG	41.63	44.75	3.13	7.51	18	0.80	1.79	50.25	29.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	23.75	24.88	1.13	4.74	13	0.32	1.29	27.25	17.00
OTC	Bindley Western Ind.	BIND	9.63	9.88	0.25	2.60	16	0.00	0.00	10.63	6.63
OTC	Cardinal Distribution	CDIC	20.50	22.00	1.50	7.32	17	0.08	0.36	22.50	12.88
OTC	Durr-Fillauer	DUFM	20.13	21.50	1.38	6.83	14	0.24	1.12	23.25	16.25
ASE	Ketchum (L)	KCH	3.63	3.25	– 0.38	– 10.34	– 1	0.00	0.00	7.63	3.25
NYS	McKesson Corp.	MCK	35.63	36.38	0.75	2.11	16	1.44	3.96	39.75	29.63
ASE	Moore Medical (L)	MMD	9.50	9.13	– 0.38	– 3.95	– 3	0.00	0.00	15.13	8.25
NYS	Owens & Minor	OMI	12.25	12.50	0.25	2.04	24	0.24	1.92	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	64.13	69.88	5.75	8.97	19	1.40	2.00	69.88	44.50
ASE	Alou (L)	ALU	2.50	2.25	– 0.25	– 10.00	9	0.00	0.00	3.00	2.13
NYS	American Home Products (H)	AHP	103.50	105.50	2.00	1.93	15	3.88	3.68	109.00	78.25
NYS	Baxter International	BAX	22.63	24.38	1.75	7.73	17	0.56	2.30	24.38	16.38
OTC	Block Drugs Co.	BLOCA	37.00	36.75	– 0.25	– 0.68	15	0.68	1.85	37.00	29.38
ASE	Bolar Pharmaceutical	BLR	14.88	16.75	1.88	12.61	10	0.16	0.96	32.25	12.75
NYS	Bristol-Myers Squibb (H)	BMY	53.63	56.50	2.88	5.36	19	2.00	3.54	56.50	41.50
NYS	Carter-Wallace (H)	CAR	57.50	59.25	1.75	3.04	19	0.80	1.35	59.88	38.38
ASE	Forest Labs (H)	FRX	38.88	43.75	4.88	12.54	34	0.00	0.00	44.50	21.88
ASE	Halsey Drug	HDG	5.50	6.13	0.63	11.36	20	0.20	3.27	7.13	1.88
NYS	ICN Pharmaceutical	ICN	5.75	5.63	– 0.13	– 2.17	– 27	0.00	0.00	7.00	5.13
ASE	Lee Pharmaceutical	LPH	2.88	2.75	– 0.13	– 4.35	– 15	0.00	0.00	5.38	2.50
ASE	Leiner P. Nutrition	PLI	12.88	11.13	– 1.75	– 13.59	13	0.00	0.00	14.25	7.25
NYS	Lilly Eli Co. (H)	LLY	62.00	66.88	4.88	7.86	22	1.32	1.97	68.38	42.38
NYS	Marion Labs	MKC	34.00	35.38	1.38	4.04	74	0.36	1.02	36.63	19.00
NYS	Merck Co. (H)	MRK	76.13	78.75	2.63	3.45	22	1.80	2.29	80.75	54.38
NYS	Mylan Labs (H)	MYL	20.13	22.25	2.13	10.56	52	0.20	0.90	24.75	7.50
OTC	Newport Pharmaceutical	NWPH	4.44	3.44	– 1.00	– 22.52	– 13	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.25	5.00	– 0.25	– 4.76	9	0.08	1.60	11.88	3.88
NYS	Pfizer Inc. (H)	PFE	67.75	74.50	6.75	9.96	17	2.20	2.95	74.50	54.00
NYS	Robins, A.H. (H)	RAH	35.75	36.75	1.00	2.80	20	0.00	0.00	38.00	22.63
NYS	Rorer Group	ROR	42.13	44.13	2.00	4.75	21	0.84	1.90	48.00	36.13
NYS	Schering Plough (H)	SGP	75.75	81.00	5.25	6.93	20	1.80	2.22	81.88	54.63
NYS	Syntex Corp.	SYN	46.88	48.75	1.88	4.00	17	1.48	3.04	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.38	1.38	0.00	0.00	46	0.00	0.00	1.88	0.81
NYS	Thiokol Inc.	TKC	13.25	13.00	– 0.25	– 1.89	10	0.28	2.15	121.00	12.38
NYS	Upjohn Co.	UPJ	36.75	38.13	1.38	3.74	19	1.00	2.62	42.13	27.00
NYS	Warner-Lambert	WLA	106.63	114.00	7.38	6.92	19	2.56	2.25	115.88	72.63
NYS	Zenith Labs (L)	ZEN	0.44	0.25	– 0.19	– 42.86	—	0.00	0.00	2.75	0.22
Other retailer transactions											
NYS	Albertson's	ABS	57.50	57.63	0.13	0.22	21	0.80	1.39	60.25	34.50
NYS	American Stores	ASC	54.50	57.13	2.63	4.82	24	1.00	1.75	72.50	51.50
NYS	Giant Food	GFS.A	28.88	27.75	– 1.13	– 3.90	16	0.48	1.73	36.25	21.88
NYS	K mart	KM	35.00	35.00	0.00	0.00	10	1.64	4.69	44.88	32.50
NYS	Kroger	KR	14.75	14.38	– 0.38	– 2.54	– 8	0.00	0.00	19.75	8.38
NYS	Melville Corp.	MES	48.50	46.13	– 2.38	– 4.90	14	1.28	2.78	53.63	34.75
OTC	Fred Meyer	MEYR	17.63	18.00	0.38	2.13	13	0.00	0.00	23.00	14.38
NYS	Penney, JC	JCP	65.63	66.75	1.13	1.71	10	2.24	3.36	68.75	50.38
NYS	Smith's Food & Drug	SFD	22.00	22.50	0.50	2.27	20	0.20	0.89	25.00	20.50
NYS	Wal-Mart	WMT	41.25	43.13	1.88	4.55	25	0.20	0.46	44.00	29.63

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG ST WS®

SECOND CLASS

Vol. 12/No. 1 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Jan. 8, 1990

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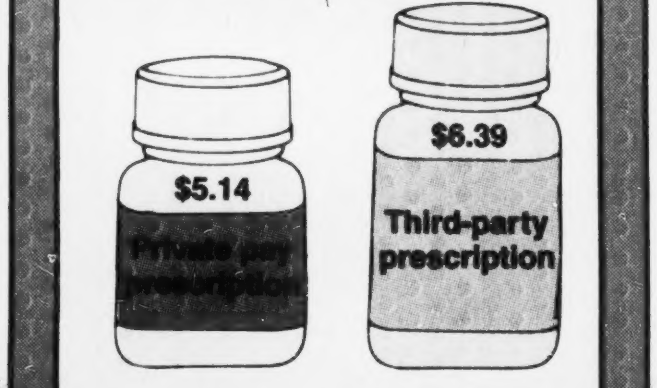
TOP OF WEEK FEATURES

10 Hot Categories for the '90s

Drug store retailing is entering the last decade of the 20th century with a great deal in its favor. *DrSN* profiles those categories that are expected to drive sales in the '90s. Page 11

Rx Dispensing Costs



Source: NACDS Third-Party Impact Study

NACDS Third Party Cost Study Results

The results of NACDS' third party cost study confirm that it costs more to fill a third-party prescription than a private pay prescription. Page 34.

LATE NEWS

• NEW YORK — Although many drug chains reported a strong early selling season, bad weather—ranging from paralyzing ice storms in Florida to snow in New Orleans to 20-below-zero temperatures throughout the Midwest—chilled sales in the critical final days before Christmas for many drug chains operating in [illegible] and East Coast markets. [illegible] were [illegible] ing Christmas sales as [illegible], and a full report on what [illegible] like a less-than-[illegible] December '89 will appear in Drug Store News' Jan. 22 issue.

Eckerd expansion in high gear

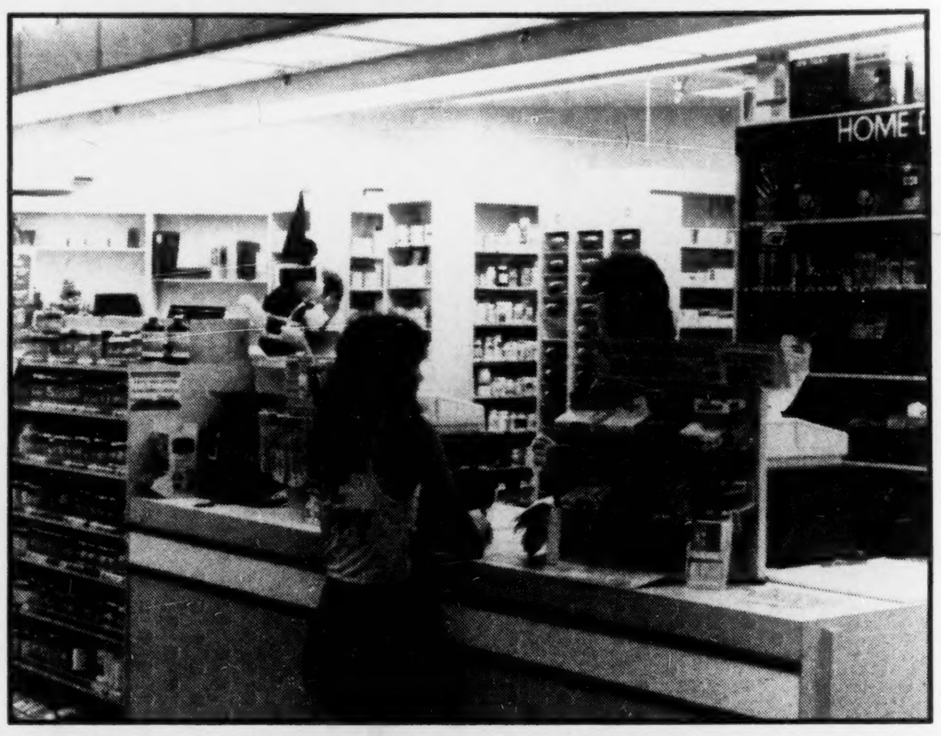
CLEARWATER, Fla. — Flush with a healthy cash flow and a revitalized store network, Eckerd Drug is expanding more aggressively and adding improvements to enhance its core business.

"Our plan is to add about 50 new stores a year; that's sort of our schedule," said Harry Lambert, Eckerd's president, in an interview at the company's headquarters here. "We've got plenty of site opportunities in our markets, and for now, there are no plans to expand outside the states we're already in."

Lambert added that the company's financial performance in the wake of its post-LBO turnaround has been such that "we've had no problem with our capital needs" in adding stores and improving Eckerd's retail systems. The chain made a series of acquisitions last year, including the seven-unit Hilley's chain in Texas and 10 SupeRx stores in North Carolina, and now numbers 1,605 drug stores in 14 states.

Meanwhile, Eckerd has made plenty of improvements in the stores. One major change is a redesigned pharmacy, with easier patient access to pharmacists and an easier working area for practitioners. The new layout, which Eckerd began retrofitting into existing remodeled stores in 1989, eliminates the clerk's

See **Eckerd** *page 41*



Eckerd's new pharmacy layout, which gives pharmacist direct access to patients, has drawn favorable response.

Under LBO pressure, SGC stays viable

Debt weighs heavy as rumors swirl, execs depart, Rickel slumps

WOODBRIDGE, N.J. — Is Supermarkets General Corp —burdened by a $2 billion LBO debt—going under, as some recent press reports suggested? Not according to competitors of its Pathmark drug store and supermarket division.

"That's a lot of ballyhoo. They have the highest-volume stores of anybody in the country [doing] $500,000 a week or more. I think if anything they've become a lot more aggressive [in pricing and advertising]," said one merchandise executive at a competing supermarket chain.

Slammed by debt, a slump at its Rickel Home Center division, and a mass exodus of top executives, SGC has been the target of sober-toned stories by the business press.

But options remain. And the 142-store Pathmark division hasn't lost face with the consumer in its battle with A&P, ShopRite, and Grand Union, according to executives at those companies.

The company reportedly might sell off a division such as Rickel, which caused a $33.8 million charge in the third quatrer ended Oct. 28 that plunged operating earnings to $11.9 million, compared with $43.8 million in last year's quarter, according to an SEC report.

Overlooking those woes, operating earnings for the quarter were $45.7 million, up a respectable 13 percent

See **SGC,** *page 41*

'Thinking' computers may transform retail operations in the '90s

Technology Today, **by David Vaczek**

When chess champ Gary Kasparov recently beat "Deep Thought," the chess-playing computer, it caused speculation on how people make decisions.

For though the Russian whipped "Deep Thought," it was said that within a few years more powerful machines will easily outthink even the world's most advanced players. Kasparov found that forecast hard to swallow.

Retailers also confront the possibility that computers that mimic human intelligence will soon be a force to be reckoned with. Analysts say these "knowledge-based" or "expert systems" hold vast promise.

An expert system "contains the expertise of a human and applies that expertise like a human would apply it," says John McCann, a professor at Duke University's business school.

Thrifty Drug, Kroger, and K mart recently developed at Duke two "prototype" systems in a research project supported by IBM. One was for "new item analysis and decision," the second a "weekly merchandise

Continued on page 40

Perry turnaround nearing completion

PONTIAC, Mich. — Three years after stumbling into red-ink territory, a stripped-down, revved-up Perry Drug Stores seems to have regained solid footing. The chain is making money after two years of big losses, and posted net earnings of $7.1 million, on sales of $670 million, for the fiscal year ended Oct. 31, after applying tax-loss carryforwards.

Perry earned $1.3 million for the final quarter of the year, compared with a gain of $298,000 for the same period last year, prior to recording a $3.5 million tax benefit. Same-store sales are up more than 6 percent in conventional Perry drug stores in Michigan, and up about 8 percent in stores that have been remodeled in line with the chain's new "store of the '90s" format.

Another sign of health: the company is beginning to expand again in Michigan after several years of quiescence. Perry's store count shrunk to 114 units this year after several sites in Wisconsin and elsewhere were closed, but new units are going up in Ann Arbor, Grand Rapids, Madison Heights and other Michi-

See **Perry** *page 41*

Drug Store News' ***Store Manager Training and Continuing Education programs help develop store managers and pharmacists.***
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NEWS IN BRIEF

Smitty's chain again for sale

PHOENIX, Ariz. — Smitty's Super Valu, this city's chief food and combo store power, is again on the selling block.

The chain is being offered for sale by new parent company Socanav, a Montreal-based conglomerate which purchased Smitty's parent firm Steinberg last summer. Socanav is said to be in need of cash to pay down $300 million in debt following its acquisition of Steinberg for more than $1 billion.

Smitty's operates 24 stores, all in the greater Phoenix market, including 17 units with pharmacies.

McKesson tabs Johnson as PCS ceo

SAN FRANCISCO — McKesson Corp. named Robert C. Johnson, ceo of the California Pharmacists Association, ceo of PCS upon completion of a proposed buyout of all outstanding shares of PCS's common stock for $15 cash per share. McKesson currently owns approximately 86 percent of PCS's stock. McKesson came under fire recently when pharmacists who use the drug wholesaler put pressure on the company to stop PCS, the nation's largest provider of third-party prescription claim services, from seeking contracts that discount third-party reimbursments.

Ex-Reliable exec heads MedNet Group

HARRISBURG, Pa. — David Dalton, formerly senior vp-pharmacy operations for Reliable Drugs, is the new president and ceo of the MedNet Group, an administrator of prescription drug programs and durable medical equipment with a national provider network for insurance carriers and self-insured companies.

MedNet has offices in Ft. Lauderdale, Fla.; Washington, D.C. and Harrisburg, where Dalton will be located.

Woolworth Express beefs up expansion

NEW YORK — Woolworth Express, the specialty chain that emphasizes a tight assortment of H&BA, OTC, stationery, greeting cards and candy in a 6,000-square-foot format, will open 20 to 25 stores in 1990, according to Hank Von Speegle, director of operations. The chain, which has been on a fast-track expansion schedule, added seven stores to its roster in the past three months and ended the year with 36 outlets. The seven new stores are in California (4), Detroit (2) and Chicago. Von Speegle also said that a Woolworth Express is slated to open a unit in New York City on Jan. 26.

NWDA's McHugh to be J.E. Goold prez

PORTLAND, Me. — Robert E. McHugh, vp of industry affairs for the National Wholesale Druggists' Association, has been named president and chief operations officer of J.E. Goold & Co., a drug wholesaler based here. William G. Waldron, who had been president of the company, becomes chairman and ceo.

Drug Fair chair Jane Matteucci dead

GREAT FALLS, Mont. — Jane A. Matteucci, who was chairman of the board of Drug Fair Northwest based here, died last month at her home in Palm Desert, Calif. She was 83. Through her marriage to Paul A. Matteucci, who died in 1982, she became involved in Drug Fair Northwest, the family business of her husband.

Mrs. Matteucci is survived by her sons Ed (the new president of Affiliated/Associated Drug Stores), Bill and Bob; as well as a sister, Bernice Allen, and five grandchildren.

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Small Chain Focus: Rodman's and Ark

Rodman's lure: low prices, service

WASHINGTON, D. C. — Leonard Rodman, president of Rodman's Discount Drugs, imagines "a dream day" when his three stores would hit $100,000 in sales.

That would translate to an annual sales rate of $750 per square foot—more than twice the chain drug industry average—for his stores' total retail space of 47,000 square feet. Unlikely?

Not for Rodman's, which lures loyal shoppers from throughout the greater D.C. area with a combination of everyday low prices in branded food, drug, and electronics and appliances, and attention to customer service.

In fact, Rodman's flagship unit—a 12,000-square-foot, bi-level store at 5100 Wisconsin Ave.—now posts $1,000 sales per square foot, Rodman says. Figure in the $500 sales per square foot achieved at the other stores in Wheaton and Laurel, Md., and the stores are ringing up $82,000 in daily sales already.

While a company with $30 million in annual sales can't make tidal waves in D.C., Rodman's stores have been thorns in the sides of Peoples, Dart and Rite Aid for a long time. Giant Foods, Rodman claims, price shops his stores on food.

Rodman has been a competitive, restless presence in the market ever since he started as one of the East's first discounters, at the time Herbert Haft was also refining his low-price approach at Dart.

Haft, in fact, lent a hand when Rodman's first Wisconsin Avenue store was gutted by fire. "He called and offered help to use any of his stores to fill prescriptions, and keep tabs," Rodman recalls.

That early offer of help was not forgotten. "Whenever anyone has a problem, I'm the first one to help them," says Rodman.

Discounters had to stick together in those days. Rodman recalls being booted from the D.C Pharmaceutical Association for selling drugs below Fair Trade prices. "They said, 'It's not illegal, but we just think it's immoral.'"

Early history

In the 1970s, Rodman had 12 stores, nine of them franchises, many doing $1 million to $3 million sales. They've all since been sold or closed, and the franchising idea has been retired.

"I had the right idea, but we didn't have the ground rules spelled out. [And] we picked guys with no financing," Rodman admits today.

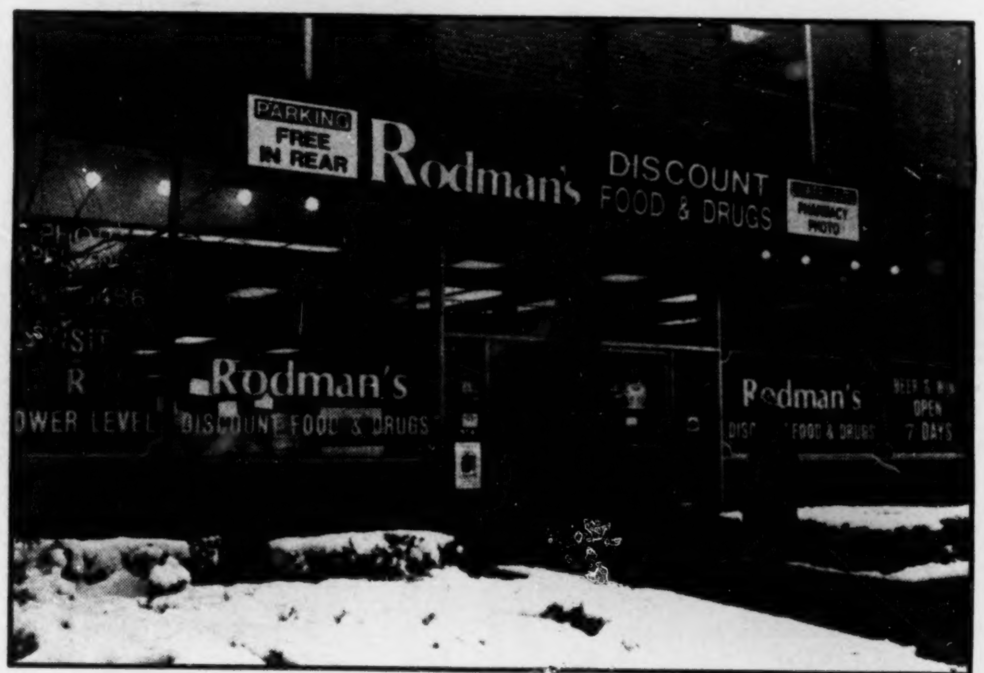
He's since been thinking of acquisitions. Backed by an unnamed investor last year, the company wanted to buy the 40 Drug Fair stores eventually bought by Rite Aid.

He feels his sons Yale and Roy, both Rodman's store managers, plus some capable employees, are ready for new challenges.

"We will tread water and wait for the right picture to appear," he said.

Rodman presides over his empire (which includes three beer and wine stores) at 5100 Wisconsin Ave., a

Continued on page 41



Rodman says a lot of his customers at 5100 Wisconsin Ave. drive from distant suburbs such as Bethesda and Potomac.

Ark Drugs stars in TV commercial

MT. VERNON, N. Y. — Ark Drugs, a four-store chain headquartered in Westchester County here, recently added television commercials to its advertising mix.

The commercials have aired regularly on cable TV since last September, Jay Kessler, president, told *Drug Store News*. "It's really a way of letting people know that we're here," Kessler said. The chain's 23,000-square-foot Mt. Vernon store has been in operation for about a year, and is featured in the 30-second commercial.

Kessler described the commercial as "generic" and added "We don't mention any prices or items, but feature our pharmacy department, our pharmacist, the cosmetician, the gift and stationery department, and the food mart."

Ark's Mt. Vernon store is the only one in the chain with a food mart department. The chain's other stores, located in Yonkers, Staten Island, and the Bell Harbor section of Queens, are considerably smaller than the Mt. Vernon store—between 6,000 and 8,000 square feet. Annual sales volume for the four stores is approximately $24 million, Kessler estimated.

Determine effectiveness

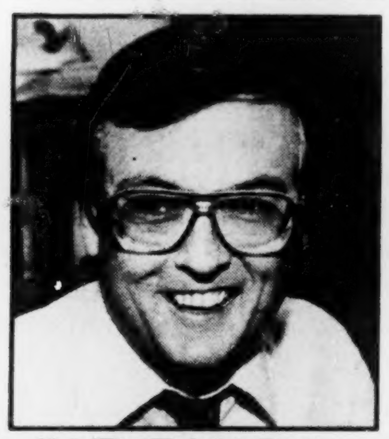
Kessler said it's hard to determine whether the TV commercials have been effective, even though they had an added boost of airing during the holiday season. "It's only been four months," Kessler said, "but we have had shoppers come into the stores and say they've seen me and my cosmetician on TV." Kessler also made a five-second commercial "extolling the virtues of cablevision, so my customers know who I am," he said.

"It is very expensive," Kessler contended about this medium, "and the cable TV station doesn't reach Mt. Vernon, where we operate our largest store," he said, but the commercial does reach the population south of Mt. Vernon, which is part of Ark's trading area.

Ark also puts out weekly pennysaver ads and produces 12 tabloid circulars a year. Last year he also used a highway billboard to advertise Ark. As for future television ads, Kessler said the chain will lay low this month, with Valentine's Day as a possible time for another commercial.

OPINION

The decade's top 10 retail stories



IN THE MARKET
BRUCE BUCKLEY

It occured to me that my years at *Drug Store News* span the entire decade of the eighties — no more, no less. And, since the end of the decade is traditionally a time for looking back, I thought I'd outline my own personal list of the decade's 10 most important retail drug stories. You're welcome to write or call with your own suggestions.

Rise of deep discounters. Low-margin H&BA stores were not a new phenomenon at the start of the decade. But the concept of chains of super-sized H&BA discount stores began to gather steam in Ohio with Drug Emporium and in Detroit with F&M. Today there are several dozen companies that have latched onto the concept. But only three have leaped aggressively into new markets all over the country: Drug Emporium, F&M and Phar-Mor.

The pharmacy turf wars. The eighties was also the decade of the combination store. The idea of combining a full-scale drug store and supermarket in a one-stop shopping environment got its start with Skaggs and Albertson's in the previous decade, but really took off in the eighties. By the end of the decade there were more than 4,000 supermarkets with pharmacies. Discounters like K mart and Wal-Mart weighed in with their own highly competitive pharmacies.

Consolidation. The concentration of drug store sales among the top companies became particularly pronounced in the eighties, as big chains used their financial clout to become even bigger. By mid-decade, however, chains tempered their "growth for growth's sake" philosophy, and began to concentrate on strengthening existing markets.

Increasing importance of pharmacy. Drug chains pulled back from trying to be all things to all customers, and began to concentrate on their strengths in health care. The trend is fueled by the increasingly large percentage of people found among the heaviest users of prescriptions—the elderly.

Back to basics. Drug chains also turned back to their traditional strengths in H&BA, cosmetics, film and photo-finishing, and greeting cards and to newer core categories like home/office and convenience foods.

Investment in store renewal. As chains scaled back growth plans, they also began to pour more money into store renewal. That investment, along with convenient locations, is perhaps the most important strength for drug stores as they enter the retail wars of the nineties.

Revolution in technology. The decade started with the beginnings of the pharmacy computer rollout. It ends with an explosion of new technological tools that are automating every phase of drug store operations.

Personnel shortages. A pressing problem for the nineties began to manifest itself in the eighties as the baby boom generation came of age and shortages, especially of pharmacists and entry-level clerks, became painfully apparent.

Return to service orientation. Drug stores, in their attempt to differentiate themselves from the competition, began to put more emphasis on customer service.

Overstoring. Market after market is already saturated. But chain drug stores, with their ability to fit into the smallest of niches and their concentration on crucial product lines, seem well-armored for the future.

Is R&D to blame for high Rx prices?

WASHINGTON PERSPECTIVE
KEN RANKIN

Are prescription drug prices too high? Lots of people on Capitol Hill think so. Sen. David Pryor (D-Ark.), for one, is convinced that pharmaceutical manufacturers are charging too much for their products.

Indeed, during recent hearings of his Senate Special Committee on Aging, Pryor blamed the collapse of the Medicare "Catastrophic" drug benefit on rising Rx drug prices.

Additionally, Pryor has charged that the pharmaceutical industry is price gouging state Medicaid programs, which have been "chopping and chiseling at their drug coverage" to compensate for these excessive prices.

"The states have raised co-payments, cut benefits, imposed coverage restrictions, held down pharmacy reimbursement," he said at a recent round of senate hearings. "In fact, they've done everything but get manufacturers to stop raising their prices at a rate three times faster than inflation."

Industry officials justify their pricing practices as necessary to finance the research and development of new pharmaceuticals. And, indeed, no one can question the fact that American drug manufacturers invest huge amounts into R&D.

Last year U.S. pharmaceutical firms invested over 16 percent of their total sales revenue into R&D—the strongest commitment to research of any industry. Moreover, that commitment is increasing. Industry R&D spending has doubled every five years since 1970, and today it costs an average of $125 million to bring each new drug to the market.

According to Pryor and other industry critics, however, the issue is not how much Rx drug manufacturers are spending on R&D, but whether these funds are really being used to bring important new drugs to the market.

According to PMA's study, 80 percent of of U.S. pharmaceutical research spending is earmarked for NMEs.

A report issued last summer by the Senate Aging Committee contends that much of the pharmaceutical industry's R&D emphasis is on developing so-called "me-too" drugs that offer little or no advantage over currently available medicines.

One Wall Street analyst cited by Pryor maintains that:

"A typical drug firm currently spends 15 to 20 percent of its research dollars on high-risk investigation of breakthrough products; 30 percent on developing improved versions of existing drugs; and the balance (50-55 percent) on so-called 'me-too' drugs—proprietary versions of drugs that are on the market and have been successful."

But is that really the case? A new analysis released by the Pharmaceutical Manufacturers Association suggests that the industry is not focusing R&D on me-too products at the expense of breakthrough drugs.

According to that study, some 80 percent of all U.S. pharmaceutical industry research spending is earmarked for NMEs—New Molecular Entities which have never before been marketed.

The report reveals that PMA member firms spent more than $26 billion on the development of NMEs between 1981 and 1988, vs. $6.5 billion on improvements to existing products.

Based on that, it's difficult to criticize pharmaceutical manufacturers for not trying to develop important new drugs.

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10 Hot Categories for the '90s

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- Candy, snacks, beverages and convenience foods
- Diet aids
- Eye care/lens care
- Cough/cold
- Household cleaners
- Greeting cards
- Home office supplies
- Skin care/sun care
- Film
- Batteries

Drug store retailing is entering the last decade of the 20th century with a lot of things going for it, and the categories that are predicted to help drive sales gains in the '90s thrive on three of those strengths: convenience, health care image and service. The following are thumbnail profiles of 10 hot categories for the next decade:

- With time likely to be an increasingly scarce commodity, retailers predict busy shoppers will make groceries—especially **candy, snacks, beverages and convenience foods**—a big growth category for drug stores.
- Improved products such as Thompson Medical's Ultra Slim Fast are making **diet aids,** especially the meal-replacement segment, a sales feast for drug stores. Several chains have expanded the category, and at least one chain reported meal replacement sales went "off the charts" in 1989.
- Retailers see **eye care/lens care** sales growing 10 percent-15 percent in the 1990s, with strong brand loyalty and physician and pharmacist recommendations driving business.
- The **cough/cold** category is also a beneficiary of brand loyalty, but Rx-to-OTC switches are seen as the dominant force behind sales growth. Additional switches will power even more sales in the '90s.
- Shoppers like the convenience of buying **household cleaners** at drug stores, and retailers capitalize on that edge with endcap displays and frequent ads and promotions.
- "Should old acquaintance be forgot. . . " is an apt theme for the '90s, especially in **greeting cards.** Working women have less time to keep in touch with friends and family, and the trend toward non-occasion cards to help them maintain relationships promises to keep the category a big draw.
- Meanwhile, the roster of chains expanding the **home office** segment of their stationery departments continues to grow, as retailers gear up to exploit the increase in home offices and consumers' need to organize their affairs.
- Retailers also see **sun and skin care** products as bright spots for drug stores in the next decade. In addition, some anticipate, based on 1989 performance, that the bath and shower segment will gather momentum in 1990.
- **Film** continues to be a front-end winner for drug stores, with high turn rates offsetting slim gross margins. The boom in 35mm amateur photography, new products and strong promotions by manufacturers and retailers are main factors fueling sales.
- The country's fascination with consumer electronics and battery-operated toys and games is expected to keep **batteries** a high-volume category for drug chains.

Convenience drives chains' grocery sales

There's a simple reason why grocery products, especially candy, snacks, beverages and convenience items, are one of the fastest growing categories in today's drug stores.

They need frequent replenishment. Today's time-harassed customers appreciate the convenience of picking up consumables in their neighborhood drug stores.

They can shop a drug store in less than 10 minutes. It takes half an hour, on average, to get in and out of a food store.

This year, buyers say candy and snacks are still their fastest growing grocery categories, up over 20 percent on a same-store basis in many cases.

Soft drink and juice sales are also up dramatically, thanks to an expansion of cold soft drink programs as well as to tremendous feature activity in these categories.

Convenience food sales are up, generally between 10 percent and 15 percent on a same store basis in the stores that stock them.

Walgreens has been the most aggressive chain with this category, putting c-food departments into almost two-thirds of all new stores and adding it selectively to existing stores in the right markets. Its current total: about 550 c-food departments.

However, SupeRx, Eckerd, Perry, Arbor, Osco, Longs, Thrift, Thrifty, Snyder Drug and many smaller chains like Best Buy Drug in Florida and Bill's in California, all have c-food departments. Most are expanding them whenever they find the right locations.

"Convenience foods are a viable category for us and we do very well with it," says David Coleman who supervises that program for Cincinnati-based SupeRx. "We constantly experiment with new planograms and update them to take advantage of changing trends. For stores in populated markets without close competition from food stores, we have steady growth."

The two C's — convenience and consumability — are driving increases in the food/snacks and beverage categories in drug stores today.

"We're more and more satisfied with our convenience food departments," says Snyder's president Don Beeler. "We hired someone from the convenience store industry two years ago to oversee the program . . .it's coming along well." Snyder now has eight stores with convenience foods out of 62 in the chain.

At Arbor, vp-purchasing Dennis Wosniak says about 25 of Arbor's 100 stores have convenience food sets, and it's all been "plus business" for the chain. Arbor's c-food sales are averaging 10 to 15 percent increases per year, and Wosniak says they will continue to add c-foods to their mix whenever they find the right location.

Chains today have learned the high-margin advantages of having cooler programs for soft drinks and juices as well as cold cases for ice cream, milk and a careful selection of dairy, deli and convenience-prepared meals. Almost every major chain now has coolers, even bantams such as Rite Aid, CVS and Duane Reade.

In fact, most drug chains today talk about a snack section, not just a snack department. At SupeRx, candy and snacks get 80 to 90 feet year-round.

Anna Iacono, who buys candy for Douglas Drug in North Providence, R.I., says that consumers seem to be buying more candy and snacks than ever before, especially at Halloween, Christmas and Thanksgiving.

Among the best sellers in recent months have been novelty items from companies like Amural, Topps and Leaf; baseball cards and collector sets from companies like Leaf, Topps and Fleer; and seasonal chocolates from companies like Palmer and Bartz.

M&M/Mars has been successful with its new Bounty bar, and Hershey has done an excellent job with Symphony, buyers say.

In snacks, buyers say corn chips are especially hot this year, as are bagged popcorns, microwave popcorn and single serve packs of any kind of chip.

Nabisco crackers are also doing well, as are cookies from Sunshine, Keebler and others. "If it's a candy or snacking item it will sell," says Coleman.

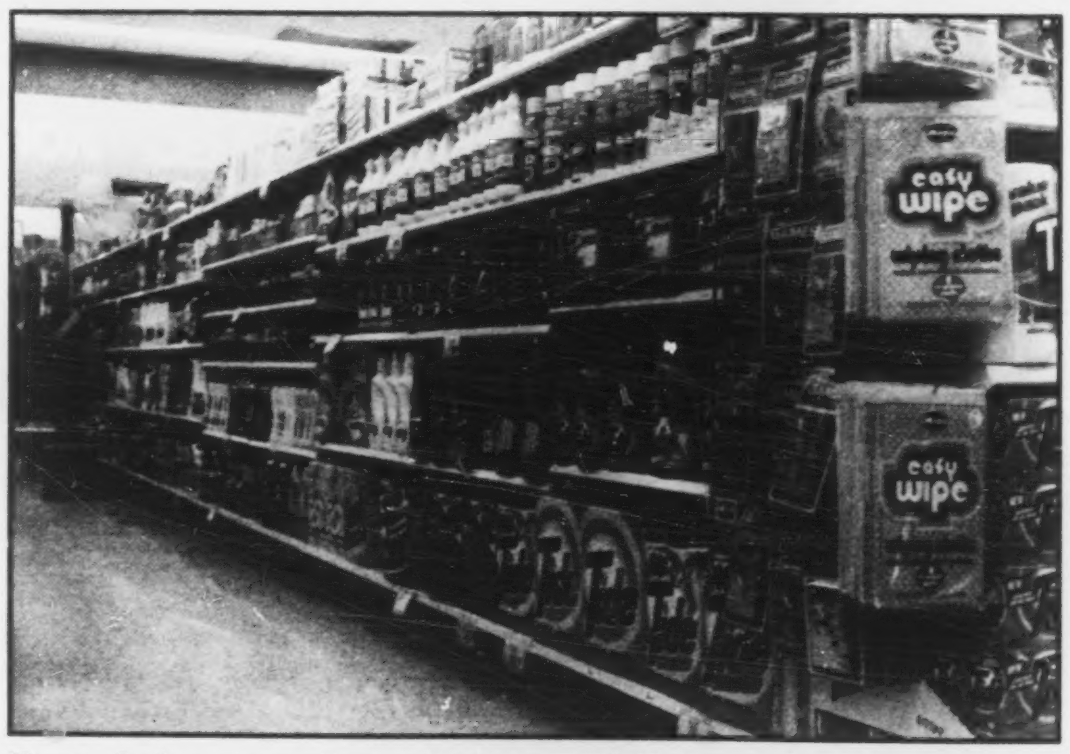
Drug chains take a shine to household cleaners

Chain drug merchandisers have taken a shine to household cleaning supplies, ranking the category among the top 10 in the second annual *Drug Store News*' Hot Categories Survey.

> *'Prepricing stands out as a perceived bargain among our customers,' said one buyer.*

The category — soaps and detergents, laundry additives, specialty cleaners, deodorizers, disinfectants, polishes, and waxes—is expected by retailers to tally $10 billion in sales this year, an anticipated 10- to 15-percent dollar growth rate. Merchandisers told *Drug Store News* they are taking advantage of prepricing, advertising, and new product introductions.

Prepricing is a factor that has been successful at both Happy Harry's in Delaware and Quick Chek Food & Pharmacy stores in New Jersey. Tom Cutonilli, seasonal buyer at Happy Harry's, said, "Prepricing stands out as a perceived bargain among our customers," he said.



Drug chains, expecting a 10-percent dollar growth rate in household cleaning supplies this year, are taking advantage of manufacturing prepricing to compete with supermarkets.

Analia Cooper, buyer/merchandiser at Quick Chek, agrees, but added that larger-sized prepriced cleaning products have shown the greatest growth rate at this operator of convenience, and food and pharmacy chains. "We've found that if we bring in the supermarket sizes prepriced, our customers are willing to trade up," she said.

Cooper explained that the 64-ounce Tide would have to be sold at $5.99 just to make a marginal profit, but the company knows the product will sit on the shelf. "Preprice it at $2.99, and customers are willing to buy it," she said.

Buyer John Weith at Bartell Drugs in Washington reported "better than normal" growth in household cleaning supplies, based on consumer responses to the chain's advertising. "There is more of an awareness with people buying these products in the nonfoods segment of drug stores, making for a heavier demand and a faster turnover rate," he said.

This category is advertised five to seven times a year, and is given an average linear space of 32 feet in most Bartell stores. Weith usually displays sale items on endcaps, and said that liquid dishwashing detergents like Ivory and Joy sold well. Sales of automatic liquid dishwashing detergents were "bleak," said Weith, but Cascade powder for dishwashers is a continual bestseller.

Retailers also mentioned Tide with bleach, Glass Mates, Glass Plus, Clorox's new Fresh Scent and Lemon Scent formulas, and anything with a potpourri scent, as strong movers at press time.

Number of household cleaning products introduced annually since 1985*

1985	194
1986	132
1987	158
1988	142
1989	160

*Includes general and special purpose cleaners and disinfectants, floor, wood and metal care products, toilet cleaners, rug shampoos, deodorizers and air fresheners, leather and suede cleaners, and cleaning accessories.

Source: Marketing Intelligence Service

"The fastest growing category for new products in 1989 was special purpose cleaners. They offer improved cleaning performance for bathroom and kitchen surfaces and for glass. This more focused approach for development may signal a change from the previous trend of developing individual cleaners with a broader spectrum of cleaning benefits." — **Richard Lawrence**, president, Marketing Intelligence Service.

Ten Hot Categories: Skin care, eye/lens care **TRENDS**

Aging population, regimen awareness foretells booming growth for skin care

The skin care category is booming. And retailers and marketers agree that the trend is only going to get hotter in the '90s. They say that three segments of the overall category — sun care; bath/shower; and facial and hand/body care — have the best prospects for the coming decade.

In a survey to choose the '90s hottest categories, chain drug merchants this year forecast growth between 5 and 15 percent for the overall category.

Part of this growth will result from the expansion of the high end of the skin care market, according to a study by Packaged Facts, a New York-based research firm. But buyers interviewed by *Drug Store News* had their own reasons why these segments will be hot.

Sun care

The sun care segment of the skin care category was a "hot" one for the second consecutive year. Dale Rogers, director of H&BA at Drug Emporium, predicted sun care will have at least a 5- to 15-percent growth in 1990, just because '89 sales were flat at the Ohio-based deep discounter.

"We had good growth in 1988, and with the bad weather we experienced in 1989, sales will definitely have to rebound in 1990," Rogers said. He predicted the growth will come mainly from suncreens. Rogers said the chain "will go more in depth" in the category this year, carrying more inventory of the higher SPFs.

Growth of as much as 15 percent is forecast in '90 for facial skin care. Above, a display at a Sedanos discount drug store in Miami.

Terry Lehman, Peoples' H&BA buyer, attributed the awareness of skin protection advancement to its growth, making the category "more technically suited to drug stores."

He said the Virginia-based chain plans to offer a broader mix in 1990, and continue to build a program that separates suntan products from sun protection products.

Buyers have high hopes for facial skin care

Buyers cited facial skin care as a segment that will prove a winner this year. Elaine Sartini, director of cosmetic marketing at American Drug Stores, said, "The biggest jump in 1990 in skin care will be the facial skin care segment, with a sales growth between 8 and 15 percent," she said.

Sartini attributed this growth to two factors — the aging population and their awareness of proper facial skin care regimens, and the atmosphere of consultation plus convenience at drug chains. "The early part of the 1980s focused on self-service in drug stores, but in the '90s we'll see more emphasis on drug store cosmeticians consulting with the skin care consumer," she said.

American Stores is capitalizing on skin care's perceived growth by merchandising skin care with both cosmetics and H&BA, and placing POP booklets and handouts throughout the cosmetics department. "In districts that are heavily cosmetically oriented, POP materials are placed at the cosmetic checkout, so cashiers can automatically put them into their bags," Sartini said.

One retailer from a Midwest-based chain reported a perceived sales growth of as much as 20 percent for the skin care category. "One segment that is definitely growing is the 'hand and nail' portion of skin care," he said.

"Many manufacturers are coming out with products specifically formulated to strengthen nails and smooth hands," he said, and feels "hand and nail" may eventually break out into a segment of its own.

Bath and shower segment

While merchants reported a perceived 5- to 10-percent sales growth in bath and shower sales last year, buyers told *Drug Store News* that they'll just have to wait and see how this category fares.

Projected growth: face, hand and body lotions and creams

(Sales in millions of $)

Year	Sales	% change
1992	$2,113	7%
1991	1,979	6
1990	1,868	5
1989	1,774	5
1988	1,693	4
1987	1,631	—

Source: Packaged Facts

Rogers of Drug Emporium did admit that new product entries are streaming into the category, making it more competitive than it once was. However, he said expected sales gains of 10 percent are "a little ambitious." Drug Emporium typically devotes 12 to 16 feet to bath/shower, and doesn't plan to change this in 1990.

American Stores' Sartini said that bath and shower is "an up-and-coming segment," and the chain recently installed a new planogram for its bath products. "In some of our stores, the category has been expanded to 18 feet," she said, with the average store giving 12 to 16 feet to bath products. The expansion has occurred mainly in the warmer Western states of Arizona and California, where skin care sales have shown an accelerated growth rate.

For lens care's loyal customers, what the doctor says, goes

Brand-loyal consumers and doctors who recommend brand-specific contact lens care products are expected to pump up sales of that category 10 to 15 percent annually, to reach nearly $276 million by 1990.

Last year alone retailers saw a 12-percent increase in eye care/lens care product sales, and, according to some retailers, there is only growth in the category's future. "This category just goes up and up, and it's going to get better," said Norman Klein, buyer for Rockbottom Stores in New York.

Klein and others agree that it is essentially high brand loyalty that drives the category's growth. "The consumer usually follows what the doctor suggests," he said. "There are those who will walk on their own, but it's a slow erosion."

Steve Dubin, a buyer at Douglas Drug of Rhode Island, says he sees less brand loyalty with salines. "They're basically the same and we're seeing a lot of private label brands — everyone is making them and they seem to be selling," he said. "But we still see some loyalty with the daily cleaning solutions, catalysts and other items. The customers stick with these through thick and thin, unless their doctor tells them to switch."

Consumers toe the line

Most buyers believe product proliferation leads consumers to "stay in line" with physician recommendations. "There are so many products, so many different systems, that sometimes it's hard for even pharmacists to know exactly what the consumer needs," Paige Ilderton, buyer for Kerr Drug Stores said. "They go with what their doctor tells them."

Although most chains devote 6 feet to 10 feet of gondola space to eye care products, some chains like Douglas Drug and South Dakota's Lewis Drug Stores have found it necessary to expand category space to accommodate product proliferation.

Retailers agree that brand loyalty, springing from doctors' recommendations, drives lens care's growth.

"It's one of our top growing categories," said Jan Stoffers, OTC buyer at Lewis, which devotes 16 feet to eye care. At Douglas, footage is growing to 12 feet, up from 8 feet.

Heavy brand loyalty has prompted manufacturers to do more advertising in the constant battle for retail shelf space. Chains are using manufacturers' freestanding inserts and promotions in addition to their own advertising. Most chains reported that they include at least one eye care/lens care brand item in major advertising blitzes.

Red-hot meal replacement sales give the diet aid category a boost

What happens when a new product tastes good, works as it's supposed to and receives nationally broadcast kudos from well-know TV personalities?

If its Thompson Medical's Ultra Slim Fast meal replacement diet product, it kicks the retailing equivalent of a game-winning 50-yard field goal.

Drug chain merchandisers say their diet aid category sales soared — doubling or even tripling — after Thompson in mid-year launched Ultra Slim Fast, an upgraded, better-tasting version of its seven-year-old Slim Fast.

As a result of Slim Fast's sales growth, the meal replacement segment eclipsed appetite suppressants, which continued to weather bad press on phenylpropanolamine, said to cause nervousness and palpitations in some individuals. Yet, suppressants, some buyers said, sustained growth, led by Thompson Medical's Dexatrim, which has gained prominent shelf space at many stores.

According to Harold Verschleiser, Thompson's sales director, factory shipments of Slim Fast increased 600 percent in 1989, from 60 million to 360 million.

Because of Thompson's success, other vendors are readying new meal replacement products for 1990 launches.

Nature's Bounty, the vitamin maker, said it would ship by early January its Slim Quick thick shake products formulated as gender specific.

CCA, after its Eat 'N Lose items posted 400-percent sales growth in 1989, will unveil this year an improved thick shake, an ice cream product, and launched this month its fiber-packed Crunch snacks in five flavors, said David Edell, president.

NutriBevco, maker of the Nutra Rich shake, is shipping this month the Premium Nutra Rich Shake Protector Series II shake, a dense formulation of vitamins and other ingredients being marketed to seniors as a product for fighting cardiovascular disease and cancer, according to president Jim Rafferty.

At Revco, Ultra Slim Fast and Slim Fast sales increased 100 percent in 1989. While not coming close to that rate of increase, appetite suppressants also posted favorable growth compared to other OTC categories, said Jeff Doshan, Revco's vp-general merchandise manager.

Meal replacement sales, said Doshan, went "off the charts." During the year, the chain moved from a four-foot to an eight-foot section. For periodic promotions, a second eight-foot section was added for meal replacements.

Doshan said that this year the Slim Fast line will likely be among a group of products Revco will feature in its seasonal-promotional area off-season.

For Revco and other chains, the supercharged success of Slim Fast produced supply problems during the year. Buyers hope that Thompson's move last month to create a separate company — Slim-Fast Foods — will improve inventory flow.

"We have had a difficult time [in 1989] staying in stock. . . . We were out of stock at store level and at the DC," said Doshan.

Meal replacement sales have eclipsed those of appetite suppressants. Above is a Washington, D.C., Peoples display.

Anticipating strong sales in 1990, Revco now has "a good in-stock level, and we've got a program so we can forecast to a more-than-adequate level," said Doshan.

Harco Drug also faced inventory problems when it received less of the product than it had ordered. The chain got only half the inventory it sought for an August coupon book, and again in October received half an order, said buyer Charles Monk.

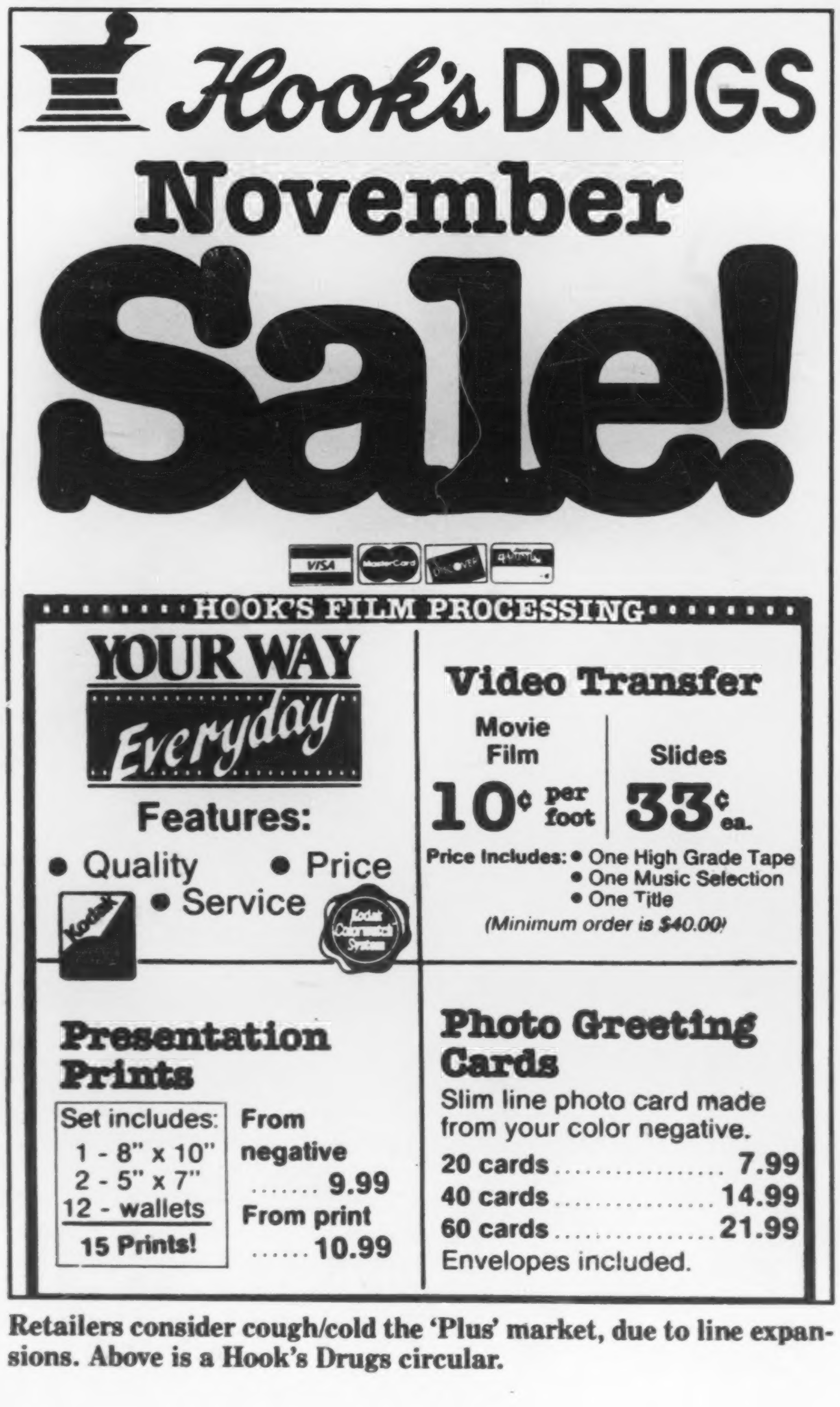
Harco's diet aids sales in have doubled in 1989 compared to 1988, which in turn had been a "a down year" from 1987, said Monk.

In some markets buyers said they're being forced to lower margins below the usual 20 percent to 30 percent to compete with Wal-Mart and K mart. Wal-Mart in one market was selling Slim Fast at $3.97 and Ultra Slim at $5.49.

The items' fast turns have created profits.

Verschleiser asserted that Slim Fast last year turned 14.7 times in six months, returning $5.33 for every dollar invested in inventory, compared with 5.2 turns for other dietary aid items, which returned $1.72 per invested dollar.

Rx-to-OTC switches continue to drive cough-cold category



Hook's DRUGS

November Sale!

HOOK'S FILM PROCESSING

YOUR WAY Everyday

Features:
- Quality
- Price
- Service

Video Transfer

Movie Film	Slides
10¢ per foot	33¢ ea.

Price Includes:
- One High Grade Tape
- One Music Selection
- One Title

(Minimum order is $40.00)

Presentation Prints

Set includes:
1 - 8" x 10"
2 - 5" x 7"
12 - wallets
15 Prints!

From negative 9.99
From print 10.99

Photo Greeting Cards

Slim line photo card made from your color negative.

20 cards 7.99
40 cards 14.99
60 cards 21.99

Envelopes included.

Retailers consider cough/cold the 'Plus' market, due to line expansions. Above is a Hook's Drugs circular.

Cough and cold products, a perennial leader in drug store OTC sales, are expected to continue their upward sales trend as manufacturers and retailers prepare for the '90s.

In 1990 alone, marketers anticipate cough and cold sales gains of 20 percent to approximately $2.2 billion.

With many OTC cough and cold products slated to be switched to Rx status in the next decade, retailers will have to find shelf space to accommodate the new products.

"The switches are what really drove the category in the decade," Paige Ilderton, buyer for Kerr Drug Stores, said.

Another factor that will fuel the growth of the category is the grouping of allergy products with cough and cold products in consumers' minds. Many cold sufferers will continue to take an allergy product for their colds, and vice versa. This interchanging of product has helped boost cough and cold sales in the summer months.

Increasing medical costs and a continuation of the trend toward self-care will also have a positive impact on the growth of cough/cold product sales. "The price of going to see a doctor and getting a prescription is increasing," said Jan Stoffers, OTC buyer for Lewis Drug Stores. "Most customers will now try an OTC [remedy] before they spend the additional money to go to the doctor."

Picking up on the self-care movement, manufacturers are spending more advertising dollars which, in turn, increases consumer awareness of product availabilty. "People are more aware of their health than ever," said Norman Klein, buyer for Rockbottom Stores, a deep discounter based in New York. "They have the same symptoms that they did 50 years ago, but through advertising and promotion, they are becoming more knowledgeable."

Many retailers refer to this category as the "'Plus' Market," due to the expansion of existing product lines. There seems to be a "quick fix" for almost any ailment.

"You have a kind of product for anything you need: regular, maximum, maximum plus, maximum one, maximum two," Lewis' Stoffers says. "A lot of these companies are just duplicating themselves. There are new introductions right and left. I think that eventually the retailers will end up dropping the earlier versions, because they're going to start losing on them."

Rockbottom's Klein thinks that manufacturers are really creating the market. By developing line extensions, manufacturers believe they can garner greater shelf space. "This makes the people more aware of a particular line of product and persuades them to buy it."

Projected sales of cough/cold remedies, by product segment

(In millions)

	1988		1989		1990	
Product Segment	Dollars	Units	Dollars	Units	Dollars	Units
Cold	$1,250	332	$1,330	344	$1,415	358
Cough	557	376	561	366	565	356

Source: Packaged Facts

Chains build sections to snare burgeoning home office market

The headlong growth of discount office supply superstores across the country hasn't been lost on drug chain operators, who cultivate their home office departments as if they were gardens of prize-winning roses.

To claim their share of this burgeoning business, chains are expanding their home office selection, including more items in ads and pruning merchandise for maximum yield. Conventional drug chain merchandisers know they can't offer the huge assortments and bulk packs that an Office Depot or a Staples can field, and many say their target customers differ: specialty megastores cater to small- and mid-size office needs, while drug stores go after the home office customer.

> *A buyer at a Northeastern drug operation, for example, designates an 8-foot home office section adjacent to stationery, so customers "don't have to search among the Snoopy folders for home office items.*

"We tailor our home office assortment to fit drug store needs," said Chuck Bower, a former Peoples Drug buyer who recently joined Kerr Drugs' buying staff. "Mead's Cambridge line fits well in drug stores," he noted as an example, adding that staples such as file trays, filing boxes, portfolios and upgrade legal pads lend themselves to the drug store format.

Bower said he'll be working to group home office items, rather than scatter them through the stationery department.

Some other chains are taking a similar tack. A buyer at a Northeastern drug operation, for example, designates an 8-foot home office section adjacent to stationery, so customers "don't have to search among the Snoopy folders for home office items.

"We started building the home office segment about three years ago and analyze movement year-round, culling once a year," he said. That's turned up some duplicative efforts: for example, upgrade expandable envelopes with Velcro closures weren't moving well and were dropped, leaving the less expensive, elastic-banded basic variety that customers preferred. The chain also cut its series of ledger books, discovering that customers tended to shop stationery supply houses for their very specific ledger requirements.

But the chain doubled its typewriter ribbon selection to include cartridge and film-type ribbons with good results. Among other good performers are the Cambridge home office items, electric pencil sharpeners, Pendaflex file folders, hanging files and desk drawer items.

"Chains such as Staples haven't affected us much," he said suggesting that such operations have probably hurt regular stationery supply stores more. "For non-bulk items, shoppers come to us," he said. With the limited space available, it's essential to maintain a cross-section—some school supplies, arts and crafts and home office, he added. The chain houses the stationery-home office department on a side wall, where extra height makes the allotted 44 feet equivalent to 60 feet on a gondola.

The wave of the future?

The joint-venture Drug Emporium stores in Jacksonville, Fla., also position the department on the wall. Home office, which was expanded last spring, "is the wave of the future," Bill Emerson, vp-director of merchandising, maintains. He added that some upgrade home office products, such as leather attache cases, made popular gift items when featured in corporate's Christmas 1988 gift guide, which circulated to 240,000 Jacksonville households.

Reliable Drugs, the new Midwestern drug chain, plans strong expansion for home office, which Tony Montini, senior vp-purchasing and merchandising, desribes as a "very vibrant" segment. The chain is looking to develop such areas as fax paper and computer supplies and will be seeking ideas at the February Back-To-School Show to apply when the whole department is reset this spring, Montini said.

A year-old Phar-Mor store in Harrisburg, Pa., features the deep discounter's major expansion of office supplies department, which offers many items in bulk. Customers can also use the chain's new catalogs to order from a more than 3,000-item inventory.

At Revco, the home office segment of the stationery department has contributed to the category's double-digit annual growth, which has come largely from maintaining in-stocks (by keeping on top of inventories and giving stores more guidance) and from advertising, said Joe McKinney, divisional merchandise manager. Revco includes stationery items in every ad, and is stepping up tax-time advertising, which starts the end of December and continues through March. Among good sellers are inexpensive calculators, spelling checkers and phone cards.

The chain keeps a tight focus on home office rather than being "all over the board," McKinney added. Although Stuart Hall's fax paper hasn't caught on yet with customers, McKinney praised the manufacturer's support, noting, "They're real good to work with."

Kerr Drug also gives tax-time advertising its due, seeing this ad period as "the best opportunity to inform customers that we're in the home office business," said Bower.

9th NATIONAL
BACK-TO-SCHOOL
MERCHANDISE
SHOW
including office, stationery and
home office products

Feb. 10 thru 12
(Sat., Sun. & Mon.)
JAVITS CONVENTION
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Volume buyers can't afford to miss this spectacular once-a-year event.

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✓Meet virtually all the major manufacturers of office, stationery and home office products.

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✓Don't miss this unique opportunity to buy the right merchandise — at the right price.

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A THALHEIM SHOW

Film category boasts double-digit gains plus high-turn rates

Film continues to develop as a proven performer at the front end of the chain drug store, with high turn rates making up for relatively slim margins in an increasingly competitive market.

For the second year in a row, chain drug buyers and merchandise managers rated film as one of the 10 hottest categories. Their faith in the film category is well-grounded, given the double-digit sales gains film has made in recent years.

"We look for good sales growth this year from all our [film] vendors, and I'd be happy but not surprised at a five to 10 percent gain," noted a spokesman for Perry Drug Stores. "Film's really a 'turn' category for us; where the margins are narrow, but the turns are very high."

"Film margins are not great; the margins are in developing," added a spokesperson for Smith's Food & Drug Centers in Salt Lake City."

Three key forces

The healthy sales gains most retailers expect to continue in the 1990s are still coming from three key forces: the continuing boom in 35mm amateur photography, new product development from the big film manufacturers, and continuing strong promotional support from both the manufacturers and the retailers.

At Kinney Drugs in upstate New York, for example, film sales benefit from heavy chain support, according to buyer Jerry Houghton. The category is featured in "every major circular, every two or three weeks," Houghton said, and was given a second location last spring when Kinney added a spinner rack from Kodak near the front registers.

"Since we added the spinner, film sales are up, no question," Houghton told Drug Store News. "I'd say Kodak's sales are up nine to 10 percent since we put it in."

Kinney carries just two brands, Kodak and Fuji, and reaps "average" margins of about 30 percent, according to the buyer.

PEOPLES DRUG
the convenience you want...the SAVINGS you deserve
DON'T FORGET the KODAK FILM
HOLIDAY SAVINGS!
BONUS PACK 12 EXTRA EXPOSURES
Kodak
KODACOLOR Gold 200 Color Print Film
Polaroid Spectra Syste
Polaroid 600 PLUS
me-Zero upercolor
SX-70 Land Film
t News Daily Press, Norfolk Virginian Pilot.

Film sales benefit from heavy chain support, especially by being featured in circulars.

Perry has also added a Kodak spinner rack on an "almost permanent" basis, according to a company source. The chain's biggest gains, however, came after it made film a self-service category, with four to 12 linear feet of in-line positioning in "a high-traffic aisle," the spokesman said.

"Film is a demand item, with a lot of impulse buying, and the more you feature it, the more it moves," he said. "It goes hand-in-hand with photofinishing; the more film we sell, the more we get back for photofinishing, and vice-versa."

The buyer credits the 35mm boom for much of the category's growth. "Point-and-shoot cameras, that's what pulling people in," he said. "The 35mm format isn't as sophisticated as it was a few years ago."

At Arbor Drugs, Perry's hometown rival for the greater Detroit market, film and photofinishing sales were up 21.3 percent in fiscal 1989, to $22.1 million.

"Film is a very sizeable franchise for Arbor, and there's a very strong commitment in terms of replenishment and support," said an Arbor spokesman.

New promotions

Film manufacturers themselves are keeping the sales pot boiling with massive ad support and new product developments. In the last year, two of the biggest suppliers overhauled their product lines—Kodak with its new Kodacolor Gold series and Fuji with its Super HR film.

Meanwhile, Polaroid is bankrolling last year's launch of its OneFilm all-purpose color film with another multimillion-dollar ad campaign in 1990. And Konica is attempting to build on its estimated 1.5 percent market share with its first-ever series of television ads to boost brand name awareness.

Despite intense competitive pressures from Kodak and Fuji, OneFilm is making inroads in some markets, according to chain drug buyers.

"OneFilm is doing surprisingly well here," said a combo chain buyer in the Southwest. "The initial ads helped, but it's too early to tell how it will do long-term."

One new product development that may spark additional business late this year will be the introduction of Kodak's Stretch 35 camera. The camera, loaded with a 12-exposure roll of Kodacolor Gold 200 film, is designed as the first panoramic one-time-use camera for capturing broad, scenic views.

How we went from Entertain
TO THE DUMP BIN!!!

FUJI EXPOSED ON NATIONAL TV!

At the beginning, we were just a bunch of videotapes. All we wanted to do was record. And playback.

Then people came along we'd never seen before. All sorts of people. And all they seemed to want to do was *use* us.

Fame dogged our every step. Overnight, we were appearing on the Fox Network, on ESPN. Our video was on VH-1. We were even playing in the U.S. Open.

Blame it on Fuji

And all because of that advertising support that Fuji had thrown behind us, the longest continuous network television presence of all videotape manufacturers.

The whole
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As if that wasn't enough, Fuji

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AMAZING NEW DIET!!
Videotape your next binge and shrug off ugly lbs.

Picture yourself in vivid color, half a pizza hanging out of your mouth. Imagine watching your cheeks running with gummy rivers of hot fudge. Horrors!

But there is finally a

VIDEOTAPES SUDDENLY FLY OFF SHELF— RETAILERS AGHAST

"I've never seen anything like it", quipped Harry Lustgarten, an ebullient grin gracing his tan but

Batteries are still making waves through niche marketing

For the second straight year, chain drug buyers put batteries into the top 10 list of *Drug Store News'* Hot Categories Study.

The reason is simple: batteries are ultra-competitive, but they fly off the shelves. This year, well over 3 billion of them will move past the registers for the nation's retailers, and drug chains will again be in the thick of the promotional slugfest for market share.

"Batteries have always been a traditional volume category and they've become a dynamic end of the business," noted a spokesman for Perry Drug Stores, which frequently promotes batteries in secondary store locations. "They're a disposable, high-impulse, consumable item with fairly low margins but tons of dollar volume."

"I get an increase in battery sales every year," added Mike Gentry, assistant vp for Crown Drugs in Advance, N.C.

"Batteries move very well, and price doesn't matter that much," added Bob Tansle, a store manager for Sid's Get It For Less in Canton, Ohio. "People are going to buy them whether we get them on deal or not, because they need them."

Indeed, a host of consumer electronics products have found their way into consumers' lives in the past decade — products that weren't around a few years ago, but which have given rise to enormous marketing opportunities. The revolution in consumer electronics — including camcorders, portable tape decks, boom boxes, electronic games, point-and-shoot 35mm cameras and other items — has fueled the rapid escalation in demand for batteries and made the category one of the most competitive in chain drug retailing.

According to Eveready Battery Co., more than 230 million portable audio units are in use now in the U.S., and they alone account for more than 40 percent of batteries sold each year. Toys and games account for another 21 percent of battery sales; flashlights and lanterns generate 17 percent; and photo accounts for 12 percent of the total market.

Another manufacturer estimates that the average U.S. household now carries nine or 10 battery-operated devices, and makes 22 to 25 battery purchases a year.

Equally significant, says Eveready, the high-end, long-lasting alkaline segment of the market is up more than 60 percent in the past six years, to well over $2 billion in annual revenues.

Retailers get a charge from the 'tons of dollar volume' batteries generate. Above, a display at a Harrisburg, Pa., Phar-Mor.

Sales gains for the rechargeable segment of the market have been even hotter in recent years. Rechargeables have been the fastest-growing end of the market over the past four years, according to Eveready. The booming demand is drawing new entries into an already competitive field, which already includes major manufacturers like Eveready, Duracell, Rayovac, GE and others.

One new entry is the Millenium Power Cells line from Gates Energy Products, which already supplies private label rechargeables and most of the batteries for the western world's satellites. The line, which features a full range of battery size, will launch with a major ad campaign and a lifetime replacement guarantee.

Meanwhile, competition in all battery segments has turned into a retail and supplier slugfest. "It's a promotionally driven category, and very, very competitive," said one chain buyer. "The deep discounters have had a big impact on the market."

Among manufacturers, the competition is just as intense. With Eveready and Duracell still the dominant forces, newer entries from Kodak, Panasonic and others are battling for a share of retail real estate to stake positions.

"Kodak is doing very well in our store, and Panasonic does fine when we bring it in on an in-and-out basis," observed Tansle of Sid's Get It For Less. "We carry Eveready but we aren't stocking Duracell right now, because we don't need two Cadillacs."

For both manufacturers, the battery market has become a constantly rotating series of promotions, including on-pack rebates, heavy print and TV advertising, coupon drops and other inducements.

Packaging has not escaped the competitive efforts of suppliers. In June, Eveready will begin shipping product in its new, shrink-wrapped Space-Pack and Family Pack, which cut package size to one-third that of blister packs for better space management.

Rayovac made a similar move four years ago, when it launched its SmartPack high-density packaging. Even so, Rayovac has a way to go before it achieves full penetration in the chain drug arena.

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brought out pallet displays. They told us they were something new. We just smiled.

Merchandising Maniacs

Next Fuji hauled out merchandising programs, coupons, sweepstakes. They even had different packaging configurations for supermarkets, drugstores, wholesale clubs, discount stores... It just went on and on.

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Then, just as we were getting used to it all, Fuji brought us out something that made our heads spin.

Into the dump bin

Fuji called them *free standing displays.* They talked about moving product. All we could think was 'At last! *Dump bins!* Buckle your seat belts! Now our careers are in permanent fast-forward!'

Life in the dump bin was all it was cut out to be and more. Retailers were agog as we flew out of the stores . They'd never seen

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ette"
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A new way of seeing things

TRENDS **Ten Hot Categories: Greeting Cards**

New products, promotions and variety entice card buyers

Drug stores enjoy about a 23 percent share of the $4.2 billion in retail greeting card sales estimated for 1989. They look to new products, effective promotions and assortments better targeted to their clientele's needs in order to enhance a category that, for many chains, generates double-digit annual growth.

A number of chains have also heeded card manufacturers' urgings to put cards up front as a means of boosting sales because, as one buyer put it, "Cards live off traffic." And indeed, prominent positioning has paid off in increased sales and profits for those who made that move.

Some chains are going to an increased number of shorter runs, rather than one long run of cards, to create a more "department-like" effect. The recently remodeled joint-venture Drug Emporium stores in Jacksonville, Fla., for example, went from 40-foot facing runs to four 20-foot runs positioned 15 to 20 feet from checkout.

Moving to the front

Reliable Drugs, the new Midwestern chain headed by Roger Grass, will move the card department from the rear to the front in reset stores and will have half valleys rather than one long run, said Tony Montini, senior vp-purchasing and merchandising.

While card promotions have been an effective way to pull traffic and encourage multiple sales for many chains, some are becoming more selective in the card promotions they use. Revco, for example, has the whole promotional process under review to ensure "there's the right kind of payback," said Joe McKinney, Revco's divisional merchandise manager. "Without good measurements of results, retailers aren't going to participate in promotions."

Card companies pay close attention to the demographics of card buyers and vary their assortments to appeal to all — from the very young to senior citizens looking for greeting cards with traditional sentiments.

Another chain, Standard Drug of Virginia, reaped a good response from a free-earrings-with-purchase promotion it ran last Christmas in conjunction with American Greetings, but was able to trim costs of a similar promotion significantly this year by

Continued on following page

January Deal: **1 Free W/11** Off-Invoice
from major wholesalers or Campbell
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
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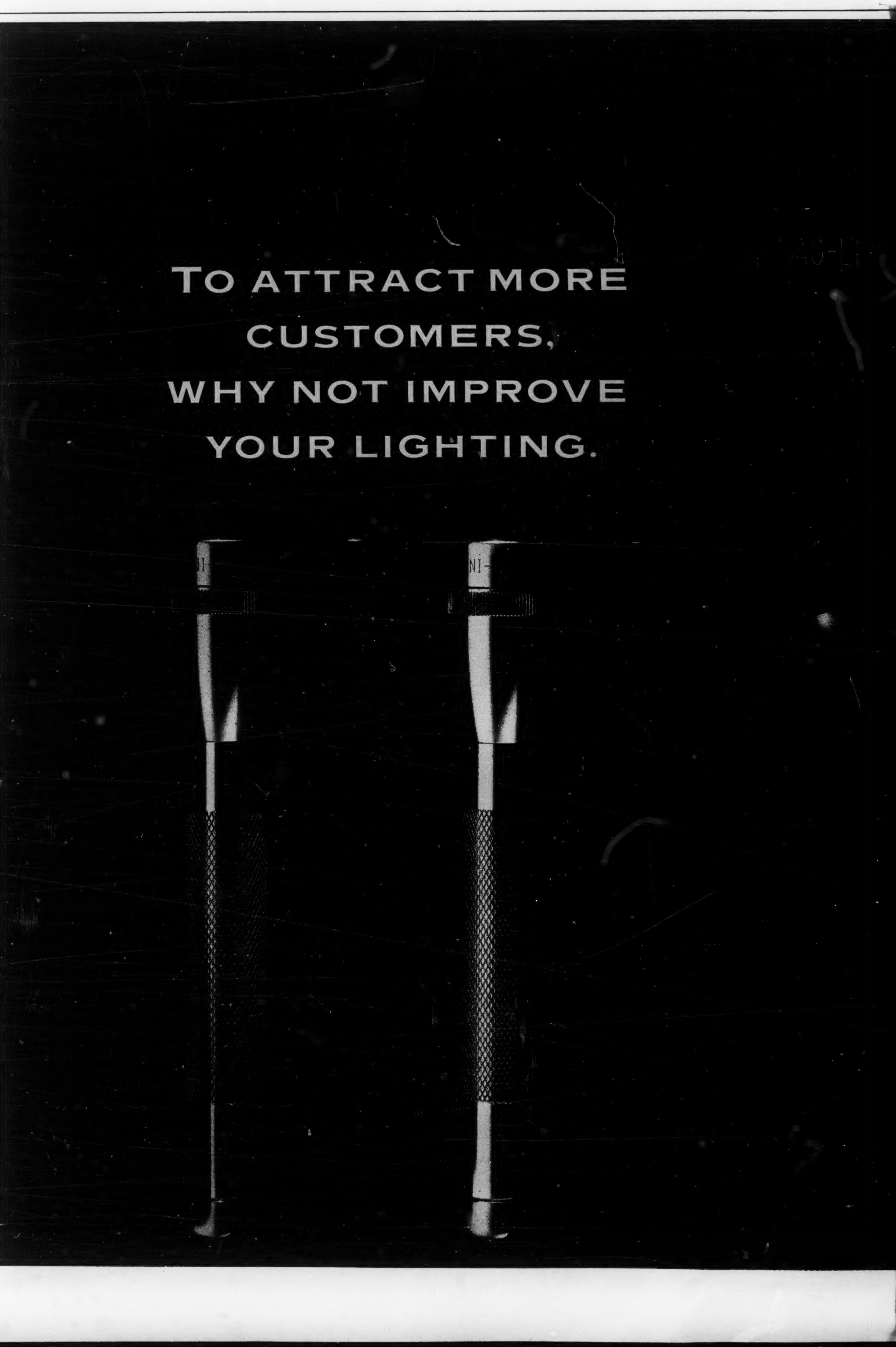

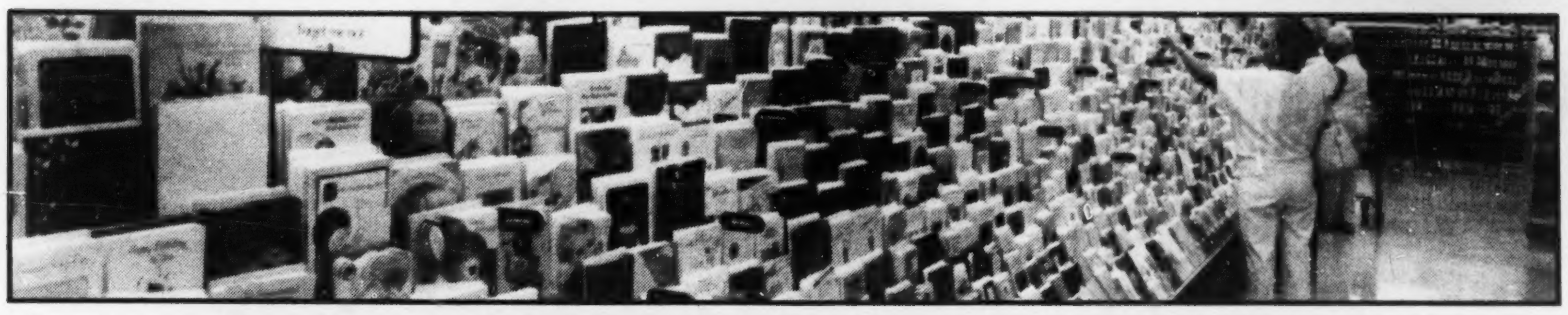

Deep discounting of greeting cards have helped give drug chains a 23 percent share of the business.

Chains battling for share of the greeting card market

Continued from previous page

doing it alone. This Christmas, Standard developed its own POP materials and ads and bought imported faux diamond earrings to give away with a purchase of any American Greetings products totalling $2.50.

"The customer response was great and it met our objective, to create a little excitement for the department," said merchandise manager Richard Lazenby. Standard also developed its own Mother's Day promotion this past year, giving away a silk rose with a card purchase.

We're looking to do more promotions to increase traffic this year," said the greeting cards buyer for a Northeastern chain that has experienced double-digit growth in cards for five years running. He added that his chain has had good results with such promotions as giving away tumblers with card purchases at Halloween and offering a copy of the book "A Christmas Carol" by Charles Dickens "far below retail" with product purchases at Christmastime. The chain has also found that contests awarding individual, smaller prizes at store level create more customer good will than does giving away one big prize.

Discounting cards

Several operators of conventional drug store chains said they don't discount cards because, as one buyer said, "there's no in-between. You either have to offer at least 40 percent off or full price."

We don't discount cards because you have to discount big to move additional product—not just 10 to 15 percent—or you're just giving away gross," said a Northeastern chain buyer. "That falls to an operator like Drug Emporium." The Jacksonville Drug Emporiums have gone from a 40 percent to a 50 percent discount on cards. Although Reliable Drugs, which carries Gibson, doesn't discount cards everyday, Montini said that as part of its ongoing storewide Bonus Buy program, the chain offers temporary (perhaps 30-day) price reductions on cards, either by a percentage or with coupon, geared to peak times of the year. "We'll pass along manufacturer allowances to our customers," he said.

Among new products that chains report are doing well are American Greetings' "Couples" line and fashion bags and matching boxes that address busy consumers' gift-packaging needs.

With all the bright ideas being given to retailers these days about how to increase sales, we thought you could use a brilliant one. Carry Mag-Lite® flashlights; the products with proven turns and profitability.

Originally engineered as the ultimate lighting instrument for police, security and fire personnel, Mag-Lite® has since created an entirely new category of consumer demand.

Uncompromisingly crafted in the U.S.A., every Mag-Lite® is a masterpiece of design and engineering achievement. They earn unprecedented customer satisfaction because each one is built from only the toughest, most rigorously tested components for a lifetime of dependability.

And the stunning variety of available colors and sizes is irresistible to consumers; invaluable to retailers.

To profit from better lighting in your store, call (714) 947-1006. Or write to Mag Instrument, Inc., 1635 South Sacramento Ave., Ontario, California 91761 for ordering information.

Showcase the complete line of genuine Mag-Lite® flashlights. The most successful retailers consider it a display of pure brilliance.

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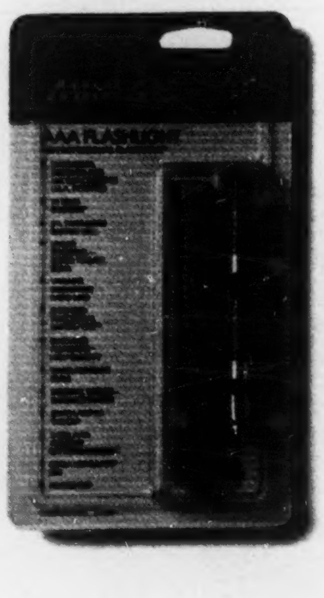

Available in January on
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HERPECIN-L®
Cold Sore Lip Balm. "It Works!"
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

‘Expert systems’ face acceptance problems

TECHNOLOGY TODAY

DAVID VACZEK

Continued from page 1

planner.”

The program writers interviewed experts and included their ideas and rules in the program. To measure subjective areas—such as the weather’s influence on sales, “certainty factors” are used. They tell the degree of confidence in the likelihood of an event occurring.

“It’s sort of like a detective. [The program] compiles a little evidence here, a little evidence there [and builds to a conclusion],” said McCann.

The end user ideally is provided with a “no brainer,” a ready-made decision.

“Conceptionally, it’s a big leap. Your taking a lot of responsibility away from the merchandiser. [But] there’s a huge opportunity here,” says Mike Neal a senior consultant at Touche Ross.

The opportunity is in “micro-marketing”— targeting the sales effort on a store level, aided by data captured through electronic POS.

Rather than making a dozen decisions at headquarters for an “average store” which are rolled out chainwide, the chain suddenly has the opportunity to make hundreds of decisions, store by store. Computer-delivered expertise could help store-level employees make the right choices.

There are but a few systems in use today.

Associated Grocers, a Seattle-based wholesaler, is testing a system for promotional and forward buying developed for it by Touche Ross. Touche Ross interviewed a senior buyer to build a data base of his expertise on things like products’ health impact, buying trends, and advice on when to buy.

“One of the main reasons we bought it was for use when senior buyers go on vacation,” said Margaret Halliday, a progammer with Associated Grocer.

Upon query, the program tells the user whether to buy a product and how much to buy. If asked, it provides its reasoning, which could take into account subjective facts such as vendor relationships, or seasonality.

Two problems have emerged. The pc-based system has been unable to get online access to all the mainframe-resident data bases it needs, says Halliday.

Credibility to come?

Also: “It’s been awkward because nobody really looks at it except as an experiment. I guess it never established its credibility,” Halliday said.

Just as the thought of a computer outperforming the human mind made Gary Kasparov touchy, many merchandisers will be skeptical when computers not only support, but also make decisions. Yet that day is creeping closer.

As one top manager at a major drug chain which is automating many functions told me, “It’s not a very popular notion that people are going to be replaced by systems.

“[Yet], we can help [decision makers] to know what worked and didn’t work; take the risk out of the decision.”

Correction

Because of errors in keying data, a number of items were omitted or misplaced in the Triple A Study of best-selling H&BA and general merchandise products (*Drug Store News,* Sept. 11, 1989). They included the following:

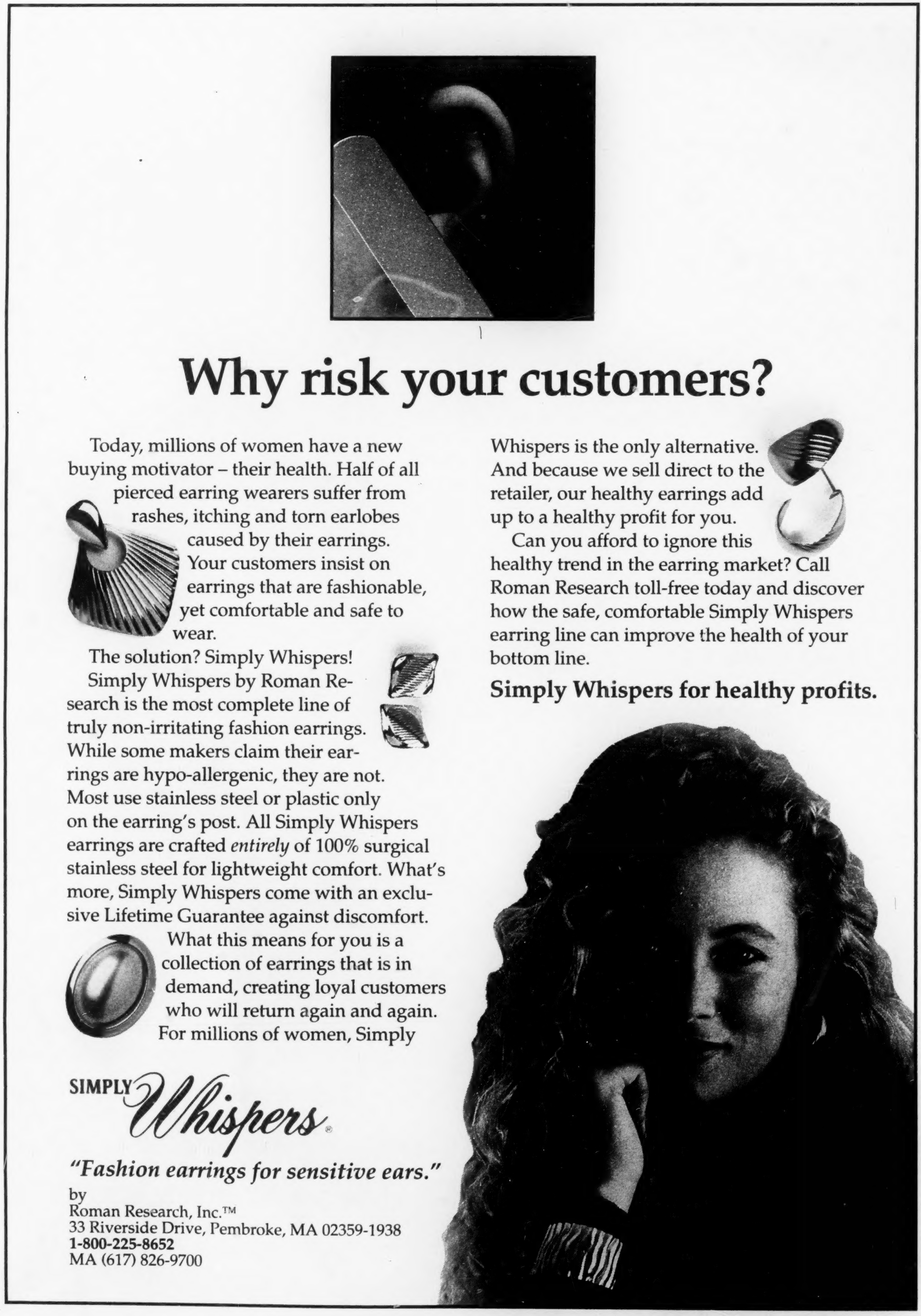
Trojan-Enz lubricated 12s, listed as No. 54 on the H&BA item movement list, was omitted from the dollar list. It should have been included among the top 30 in dollar volume.

Afrin nasal spray 15cc, listed as No. 100 based on dollar volume, should have been moved up to among the top 50 items in dollars.

Mylanta II was omitted from both unit and dollar lists; it should have been listed among the top 50 movers in both units and dollars.

Polaroid T-120 VHS videotape should have appeared among the top 60 movers on the general merchandise unit list and among the top 100 in dollar sales.

Ultra Slim Fast should have been listed among the top 50 items in H&BA dollar sales.



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FINANCIAL

Climbs in net, revenues in Rite Aid's 2nd qtr.

SHIREMANSTOWN, Pa. — Rite Aid corporate revenues gained 14 percent to $791.7 million, and net income increased 35.8 percent to $22.5 million, or 54 cents a share, for the third quarter ended Dec. 2.

Included in the net income is an $18.4 million after-tax gain from the sale of the company's 46.8-percent interest in Super Rite Foods Inc.

Excluding a $22 million write-off to provide for the chain's video department closings, income from continuing operations was $17.5 million, up 10.7-percent over last year's period. After the pre-tax charge, income from continuing operations was $4.1 million, or 10 cents a share, down from $15.8 million, or 38 cents a share, in the prior-year period. This charge reduced income from continuing operations by an after-tax amount of $13.4 million, or 32 cents a share.

Revenues from the drug store segment, which operated 2,340 stores on Dec. 2, advanced 13.7 percent to $749.0 million for the third quarter. Net income before the video provision was up 12.1 percent, to $16.5 million.

Year-to-date, corporate sales gained 13 percent, to $2.3 billion, and net income increased to $67.1 million, or $1.62 per share, from $59.1 million, or $1.43 per share.

Drug store segment sales for the 39 weeks contributed $2.2 billion, compared with $1.9 billion for the period last year; net income, excluding the video provision, gained 4.9 percent, to $56.9 million.

Revco's 2nd qtr. sees sales, op. income hikes

TWINSBURG, Ohio — With 46 fewer stores in operation compared to this time last year, Revco D.S., Inc. reported an 8.6-percent increase in sales, for the second quarter ended Nov. 12, to $620.9 million. Net loss for the quarter decreased to $8.7 million, from last year's $17.9 million, and operating income rose to $7.2 million, from last year's $9.7 million loss.

For the first six months of the year, Revco's sales improved 5.5 percent, to $1.22 billion, and operating income rose to $2.1 million, from last year's $20.9 million loss.

As Revco entered the holiday selling season, improved inventories contributed to the 9.1-percent increase in comparable store sales posted for the six-month period.

MARKET DIARY:

Largest Dollar Gainer	Penney, JC	$ 4.00	Advances	18
Largest Dollar Loser	Marion Labs	$– 9.25	Declines	37
Largest Percentage Gainer	Pharmaceutical	25.00%	Unchanged	2
Largest Percentage Loser	Ketchum	–42.31%	New highs	17
			New lows	7

	Close 11/28/89	Close 12/26/89	Net Change	Percent Change
Drug Store News Index	2966.20	2877.83	– 88.37	– 2.98
Dow Jones Industrial Average	2702.01	2709.26	7.25	0.27
Standard & Poor's 500-Stock Index	345.77	346.81	1.04	0.30
N.Y.S.E. Composite	191.34	191.72	0.38	0.20
Value Line Index	258.81	254.60	– 4.21	– 1.63

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 11/28/89	Closing Price 12/26/89	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.00	22.25	3.25	17.11	21	0.16	0.72	24.75	9.00
OTC	Big B	BIGB	12.88	12.38	–0.50	– 3.88	18	0.16	1.29	15.25	10.63
OTC	Drug Emporium	DEMP	7.88	8.00	0.13	1.59	11	0.20	2.50	16.38	7.75
NYS	Fay's Inc.	FAY	11.75	10.50	–1.25	–10.64	14	0.20	1.90	15.00	8.63
ASE	Genovese Drug	GDX.A	10.50	9.75	–0.75	– 7.14	14	0.24	2.46	12.88	8.75
OTC	Leroy Pharmacies (L)	LERY	3.63	3.13	–0.50	–13.79	–24	0.00	0.00	5.38	2.88
NYS	Longs Drug Stores (H)	LDG	43.88	44.25	0.38	0.85	15	0.96	2.17	48.50	34.50
OTC	Medicine Shoppe (H)	MSII	21.67	20.50	–1.17	– 5.38	23	0.16	0.78	23.25	14.88
NYS	Perry Drug	PDS	9.38	9.38	0.00	0.00	13	0.00	0.00	13.50	6.63
NYS	Rite Aid Corp.	RAD	38.50	30.75	–7.75	–20.13	13	0.80	2.60	41.13	30.63
NYS	Walgreen Co.	WAG	44.75	44.63	–0.13	– 0.28	18	0.80	1.79	50.25	30.00
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	24.88	22.38	–2.50	–10.05	13	0.32	1.43	27.25	18.00
OTC	Bindley Western Ind. (H)	BIND	9.88	10.00	0.13	1.27	16	0.00	0.00	10.75	6.75
OTC	Cardinal Distribution (H)	CDIC	22.00	23.75	1.75	7.95	18	0.08	0.34	24.00	12.88
OTC	Durr-Fillauer (H)	DUFM	21.50	24.00	2.50	11.63	15	0.24	1.00	24.00	17.38
ASE	Ketchum (L)	KCH	3.25	1.88	–1.38	–42.31	– 1	0.00	0.00	7.63	1.88
NYS	McKesson Corp.	MCK	36.38	34.88	–1.50	– 4.12	15	1.44	4.13	39.75	29.63
ASE	Moore Medical	MMD	9.13	9.00	–0.13	– 1.37	– 3	0.00	0.00	15.13	8.25
NYS	Owens & Minor	OMI	12.50	12.38	–0.13	– 1.00	23	0.24	1.94	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	69.88	67.25	–2.63	– 3.76	18	1.40	2.08	70.38	46.25
ASE	Alou (L)	ALU	2.25	2.00	–0.25	–11.11	3	0.00	0.00	3.00	1.88
NYS	American Home Products (H)	AHP	105.50	103.38	–2.13	– 2.01	15	3.88	3.75	109.38	79.75
NYS	Baxter International (H)	BAX	24.38	24.50	0.13	0.51	17	0.56	2.29	25.88	17.13
OTC	Block Drugs Co. (H)	BLOCA	36.75	37.25	0.50	1.36	15	0.68	1.83	37.50	30.63
ASE	Bolar Pharmaceutical	BLR	16.75	17.88	1.13	6.72	11	0.16	0.90	32.25	12.75
NYS	Bristol-Myers Squibb (H)	BMY	56.50	55.50	–1.00	– 1.77	20	2.12	3.82	58.00	44.00
NYS	Carter-Wallace (H)	CAR	59.25	57.50	–1.75	– 2.95	18	0.80	1.39	60.50	39.13
ASE	Forest Labs	FRX	43.75	41.00	–2.75	– 6.29	32	0.00	0.00	44.50	24.13
ASE	Halsey Drug	HDG	6.13	6.00	–0.13	– 2.04	19	0.20	3.33	7.13	2.63
NYS	ICN Pharmaceutical (L)	ICN	5.63	5.25	–0.38	– 6.67	–25	0.00	0.00	7.00	5.00
ASE	Lee Pharmaceutical (L)	LPH	2.75	2.00	–0.75	–27.27	–11	0.00	0.00	5.38	1.88
ASE	Leiner P. Nutrition	PLI	11.13	10.25	–0.88	– 7.87	12	0.00	0.00	14.25	8.13
NYS	Lilly Eli Co.	LLY	66.88	66.00	–0.88	– 1.31	21	1.64	2.48	68.38	42.38
NYS	Marion Labs	MKC	35.38	26.13	–9.25	–26.15	54	0.36	1.38	36.63	19.63
NYS	Merck Co.	MRK	78.75	75.75	–3.00	– 3.81	21	1.80	2.38	80.75	56.25
NYS	Mylan Labs (H)	MYL	22.25	24.13	1.88	8.43	56	0.20	0.83	25.38	7.50
OTC	Newport Pharmaceutical	NWPH	3.44	3.25	–0.19	– 5.47	–13	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	5.00	6.25	1.25	25.00	17	0.00	0.00	11.88	3.88
NYS	Pfizer Inc. (H)	PFE	74.50	66.75	–7.75	–10.40	15	2.20	3.30	75.75	54.00
NYS	Rorer Group	ROR	44.13	45.88	1.75	3.97	21	0.84	1.83	48.00	36.13
NYS	Schering Plough (H)	SGP	81.00	82.75	1.75	2.16	21	1.80	2.18	86.00	55.38
NYS	Syntex Corp.	SYN	48.75	49.50	0.75	1.54	18	1.48	2.99	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.38	1.38	0.00	0.00	46	0.00	0.00	1.88	0.94
NYS	Thiokol Inc. (L)	TKC	13.00	12.63	–0.38	– 2.88	13	0.28	2.22	121.00	12.13
NYS	Upjohn Co.	UPJ	38.13	37.88	–0.25	– 0.66	19	1.00	2.64	42.13	27.63
NYS	Warner-Lambert (H)	WLA	114.00	113.50	–0.50	– 0.44	19	3.04	2.68	118.75	74.50
NYS	Zenith Labs (L)	ZEN	0.25	0.19	–0.06	–24.80	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	57.63	55.50	–2.13	– 3.69	20	0.80	1.44	60.25	36.63
NYS	American Stores	ASC	57.13	56.50	–0.63	– 1.09	24	1.00	1.77	72.50	52.63
NYS	Giant Food	GFS.A	27.75	26.88	–0.88	– 3.15	15	0.48	1.79	36.25	22.13
NYS	K mart	KM	35.00	34.13	–0.88	– 2.50	9	1.64	4.81	44.88	32.50
NYS	Kroger	KR	14.38	14.13	–0.25	– 1.74	– 8	0.00	0.00	19.75	8.38
NYS	Melville Corp.	MES	46.13	43.63	–2.50	– 5.42	13	1.28	2.93	53.63	36.13
OTC	Fred Meyer	MEYR	18.00	18.50	0.50	2.78	15	0.00	0.00	23.00	15.63
NYS	Penney, JC (H)	JCP	66.75	70.75	4.00	5.99	11	2.24	3.17	73.25	50.38
NYS	Smith's Food & Drug	SFD	22.50	22.88	0.38	1.67	20	0.20	0.87	25.00	20.50
NYS	Wal-Mart (H)	WMT	43.13	43.38	0.25	0.58	25	0.20	0.46	44.88	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

NOTE: Medicine Shoppe completed a 3-for-2 stock split; Robins, A.H. was acquired by American Home Products.

Source: Nordby International, Inc., Boulder, Colorado

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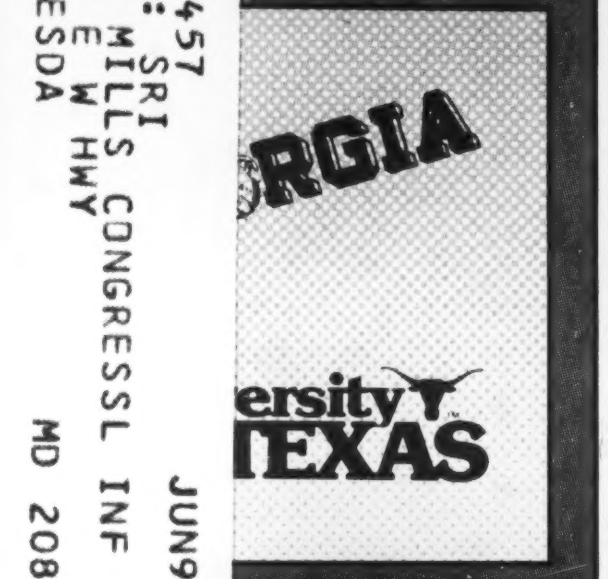
TOP OF WEEK FEATURES



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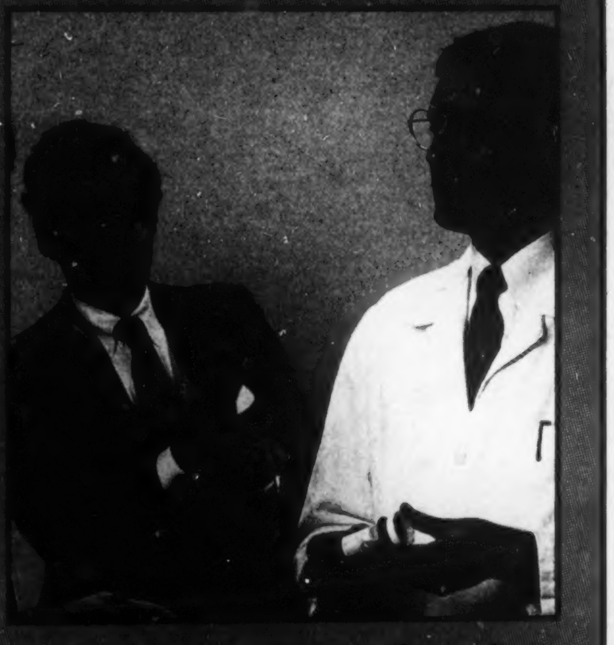
rking these self- umer markets cater to the needs of clout-wielding collegians. Trends, page 13.



Consultation Seeks a Consensus

If consultation is mandated, would pharmacists put forth a minimal effort just to satisfy the law? Page IP1.

LATE NEWS

- AKRON, Ohio — U.S. Bankruptcy Court here approved a 16-month extension of Revco D.S.'s $145 million credit facility, until June 3, 1991, and continued provisions protecting vendors.
- DEERFIELD, Ill. — Walgreen Co. posted record sales of $1.4 billion and net earnings of $23.7 million for the first quarter ended Nov. 30, 14.5% and 15.9% gains, respectively. Same-store sales were up 10.7%; Rx sales, [illegible]1.5%.
- PLAINVILLE, Conn. — A group of 10 chains, including Brooks, CVS, Genovese, Walgreens and Rite Aid, has formed the Connecticut Association of Chain Drug Stores.
- SACRAMENTO, Calif. — Teresa A. Miller, Pharm. D., will be interim executive vp of the California Pharmacists Association until Robert Johnson's replacement is named.

Where will McK's buyout of PCS lead?

Johnson

Kennedy

News Analysis

By Susan Ball

SCOTTSDALE, Ariz. — McKesson Corp.'s recent decision to buy the remaining 14 percent of PCS Inc. answers one question—to sell or not to sell its third-party claims processing subsidiary—but it raises others.

The biggest question: Why did it opt to keep PCS, in light of the conflict between McKesson's primary business of serving pharmacies, and PCS's focus on helping insurers cut health care costs through plans that discount reimbursements to pharmacists?

Another: McKesson also has announced it will name Robert C. Johnson, who has gained high visibility as executive vp of the powerful California Phar-

See **McKesson,** *page 33*

Trade group for Canada's chains is set for launch

By James Frederick

WILLOWDALE, Ont. — After months of negotiations and spadework by David Bloom, Imasco Drug Retailing Group chairman, Canada's major drug chains are ready to launch their own national trade organization. The newly-formed Canadian Association of Chain Drug Stores (CACDS), modeled after NACDS, will hold its first meeting in Toronto Feb. 23, Bloom said.

Bloom has been the driving force behind the new organization, meeting at Shoppers Drug Mart headquarters here with Canada's big names in chain drug retailing and with representatives of NACDS to get the new CACDS off the ground. All of Canada's biggest drug chains have agreed to join, and most of the nation's smaller chains are expected to follow.

Thus, the membership list already includes Shoppers,

See **CACDS,** *page 33*

Walgreen says goodbye to Canning

CHICAGO — Freed of non-core businesses and riding a 15-year unbroken string of record sales and earnings, Walgreen Co. will spend $200 million this year on store growth and state-of-the-art support systems, its chairman told a packed house of shareholders at the company's annual meeting here Jan. 10.

In the works for 1990, said Charles Walgreen III, are completion of a $40 million automated distribution center in Mount Vernon, Ill., construction of at least 100 new stores, and major expenditures for checkout scanning, computerized receiving systems and other technological advances.

As in recent years, Walgreen and president Fred Canning were given an enthusiastic endorsement by hundreds of satisfied shareholders as they revealed plans to keep Walgreens at the top of chain drug retailing. In one big respect, however, this meeting was different: it was a sendoff for Canning, who will retire as president Feb. 1.

Canning, given two standing ovations from shareholders, will be replaced by president-elect Dan Jorndt.

"[Jorndt] has the character, the people skills, the hands-on experience, and the enthusiasm to help successfully lead Walgreens into the 1990s and beyond," said Walgreen.

Jorndt will inherit a 1,511-store chain that is poised for continued strong growth. Walgreen is nearing the $2 billion mark in pharmacy sales alone, and continues to add automation systems to handle the increases in third-party business, paperless inventory movement, satellite links, enhanced inventory controls and other improvements. Among this year's programs: scanning in another 400 stores, application of the Strategic Inventory Management System (SIMS) to a second warehouse, and site selection for a new distribution center to open in the Northeast in 1991 or 1992.

Jewel Osco redefines combo stores in Florida

Service cosmetics islands, on the store's left side, attract steady attention through a strong in-stock position of name brands, and a brilliant color aisle.

By James Frederick

PALM HARBOR, Fla. — American Stores' first three Jewel Osco combination stores in this state are churning up big sales numbers in the face of intense price competition in the Tampa Bay market.

"We're ahead of our sales budget, and we're delighted with the volume," said Mark Skaggs, Jewel Osco president. "Community acceptance here is as good as we had hoped."

Nevertheless, the new chain has had to make price and value a central component of its strategy, along with other powerful shopping incentives like high service levels; in-store bakery, deli, flower shop and other departments; and an enormous selection of produce, bulk foods, nonfoods and specialty items. The reason: three strong

Chain scales down growth plans in market—page 29

Continued on page 29

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Dart Drug puts seven leases on market

LANDOVER, Md. — Dart Drug, Inc., which operates Fantle's Drug Stores and Total Plus deep discount stores, announced plans to sell seven store leases—five in Virginia, one in Maryland, and one in Washington, D.C.

All seven stores are presently closed, and in three of the stores subtentants are paying rent. Dart, which filed Chapter 11 in August last year, retained the services of Keen Realty Consultants, a Great Neck, N.Y.-based company, to dispose of the store leases. Keen previously disposed of several hundred retail outlets for Revco D.S. when it filed Chapter 11 nearly a year and a half ago.

Red Cross, NACDS aid disaster victims

ALEXANDRIA, Va. — The Red Cross Relief Fund, aided by NACDS efforts, raised $92 million to assist victims of Hurricane Hugo and the San Francisco earthquake.

In a separate matter, NACDS has promoted Stephen Perlowski, former director of trade programs, to the newly created position of executive assistant to the president. He reports to Ron Ziegler. The trade group is also taking steps to develop a "strong" state affairs department, Perlowski said.

Super Gen'l taps public affairs head

WOODBRIDGE, N.J. — Betty Greitzer has been named director of public affairs at Supermarkets General Corp. Greitzer, an attorney, was promoted from manager of public affairs.

Ryan named CVS' exec vp-operations

WOONSOCKET, R.I. — Thomas Ryan, senior vp-pharmacy the past 10 months at CVS, has been promoted to executive vp-operations. He is responsible for store operations and pharmacy activities. Ryan, who joined CVS in 1974, replaces J. Kevin Hughes, who has retired.

May's opens 5th Okla. deep discounter

TULSA, Okla. — May's Drug Stores recently opened its fifth Drug Warehouse deep discount store in this market.

The remodeled 19,000-square-foot store, which offers more than 20,000 beauty, cosmetic, drug and household items, replaces an older, 8,900-square-foot May's Drug store vacated in November. The store features a one-hour photo lab and the area's largest discount greeting card department.

Hallmark to purchase Dakin

KANSAS CITY, Mo. — Hallmark said it has agreed to buy Dakin, Inc., the maker of plush toys, in a move the card company said will allow marketing synergies. Dakin had $150 million in revenues last year.

Rite Aid appoints Hansen vp, treasurer

SHIREMANSTOWN, Pa. — Rite Aid has appointed Doug Hansen vp and treasurer, replacing Robert Brown, who retired.

Hansen comes to Rite Aid from Tambrands, based in Lake Success, N.Y., where he was treasurer the past five years. Previously, he was vp and treasurer of Geo International Corp., formerly Peabody International, of Stamford, Conn.

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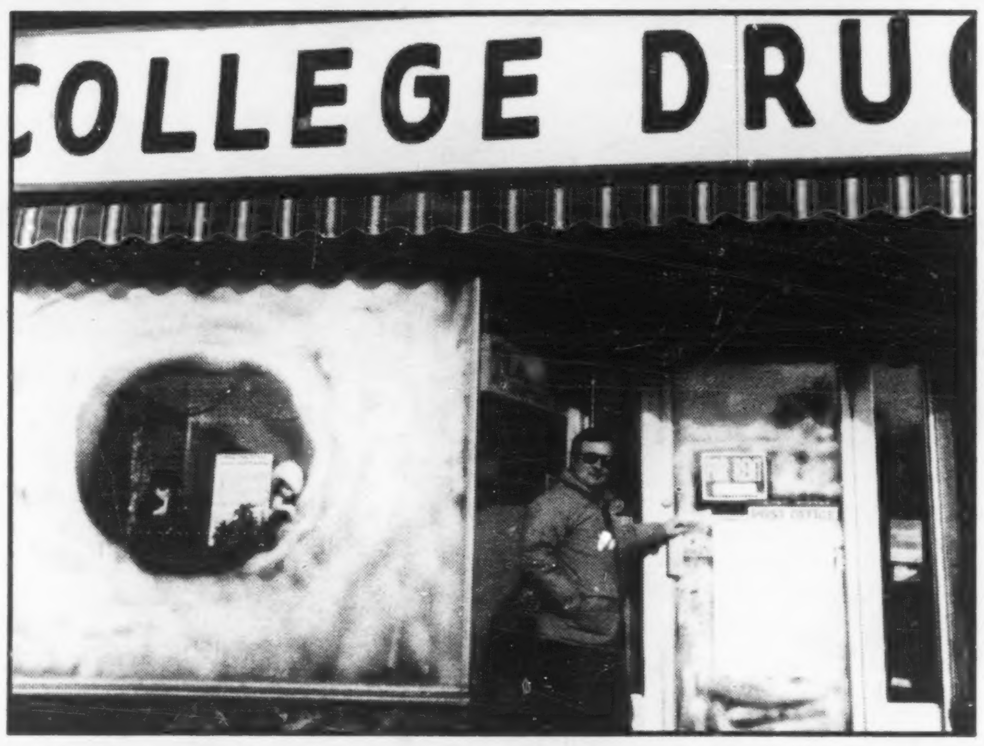
Fire destroys an Amherst tradition



John Hersey, pharmacist, in front of College Drug Store, Amherst, Mass., which he and his wife decided not to reopen after a fire struck in November.

AMHERST, Mass. — Many Amherst College students paused to read the sign on the door. It began, "To all our loyal friends and customers: It is with great difficulty that we have reached a decision not to reopen College Drug Store."

The sign went on to note that the drug store had served Amherst since 1910; that it was "truly an old-fashioned neighborhood drug store," with a soda fountain that later gave way to cosmetics; and that it was among the first pharmacies in the state to computerize. The message was signed, "John and Kate Hersey."

Kate Hersey's grandfather, William McGrath, bought the business 79 years ago. Her father, William McGrath Jr., took over in the 1930s, and in 1954, moved the business to its current corner location.

"I don't even like to come in here anymore," said pharmacist John Hersey as he picked his way past the debris and empty shelves—about all that's left in the store after a fire spread from the shoe shop next door on Nov. 4.

"The computer was running, and it just sucked in the heat and smoke," Hersey recalls.

Hersey had a full cellar of inventory, and the insurance company sent the salvagers in within three or four days. "Everything went," he said.

Then the state came in: "We sealed all the boxes, and $60,000 worth of drugs went to the landfill."

But the coup de grace for the Herseys was a state law requiring that they install an elevator to accommodate the handicapped as part of renovations. The elevator would have to be installed at the rear of the store, where the pharmacy area is. "That would make the store one-third smaller, and you can't survive with a store that small." When Hersey looked elsewhere to relocate, he found rentals had skyrocketed to $25 a square foot and up.

That spelled the end for College Drug Store, the last independent in town, and with it, a part of Amherst's history. "Prince Rainier of Monaco was one of our customers when he was a student at Amherst," Hersey said.

Robert Frost, who lectured at Amherst, was also a customer.

The Herseys have an old leatherbound book of prescriptions that were pasted down on the pages. "We know [Amherst poet] Emily Dickinson's prescriptions are in there, but the prescriptions don't include names," Hersey said. Dickinson scholars used to ask to look through the book, "to see if they could find a clue to what she died of."

Right after Labor Day was the busiest time of the year, with 30,000 students showing up on campuses. (The University of Massachusetts and Hampshire College are also in Amherst.) "You had about seven days to educate them on where to buy," he said.

But that's history. Now Hersey, 41, plans to become a hospital pharmacist.

In the center ring: Ike's 1st Ark. store

LITTLE ROCK, Ark. — Fire-eaters, jugglers, acrobats, a live band and on-the-scene radio coverage created a circus-like atmosphere when Ike's, Super D's deep-discount operation, opened its first store here in time for Christmas.

The 36,000-square-foot store, the fourth Ike's and the third with pharmacy, features an optical department offering eye exams and lens crafting on-site. While two other Ike's have optical departments, this is the first operated by a licensed optometrist, who leases the space. A pair of glasses, including frames and lenses, sells for $29.95. All future Ike's will have pharmacy and optical departments, said Ike's president Bill Mitchell.

Located in Markham Square Shopping Center near major highway interchanges in southwest Little Rock, the new Ike's boasts 18 checkouts, including two apiece in cosmetics, pharmacy, the electronics department and the service counter. The store, which had its grand opening Dec. 9, is expected to do $10 million to $12 million in business per year, Mitchell estimated.

Ike's is near a decision on a second store site in Little Rock, he said, adding that two other units are planned to open this year: in Jackson, Miss., a new market for Ike's, and a fourth store in Memphis, the chain's hometown.

Correction In the Jan. 8 issue, a typographical error led us to incorrectly state Perry Drug Stores' current store count, which is 214, not 114, units. We regret the error.

Bindley Western tabs prez, COO

INDIANAPOLIS — Keith W. Burks, 31, has been named president and chief operating officer of Bindley Western Drug Co., the main operating division of Bindley Western Industries, William E. Bindley, chairman and ceo, announced.

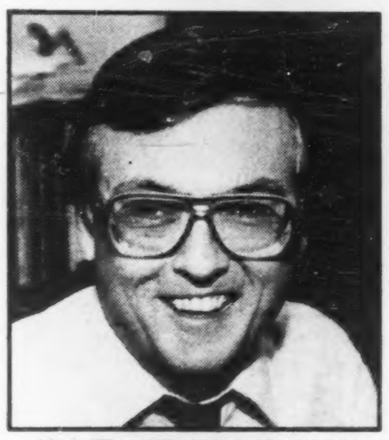
Burks, who was also elected a senior vp of the parent company, replaces C. Richard Zartman, who retired Jan. 1.

Burks, a certified public accountant, joined the company in 1977 as a management trainee in the warehouse and progressed to controller in 1985 and vp and Indianapolis division manager in 1987. The following year, he was elected a group vp.

Zartman, 65, came to Bindley Western in 1976 and in 1985 as vp and general manager of the Southeastern division in Orlando, Fla. In 1985 Zartman was promoted to executive vp. Two years later he was elected president. Zartman will continue to serve as a director of the parent company.

OPINION

H&BA or HBC, that is the question



IN THE MARKET
BRUCE BUCKLEY

When it comes to language, I'm a traditionalist.

I don't much like change. Fad words make me wince.

But a recent supermarket industry initiative to change the wording of a traditional product phrase intrigues me. The phrase is health & beauty aids, or, in *Drug Store News'* shortened style, H&BA.

A lot of people in the retail food field, including the Food Marketing Institute, have opted to change health & beauty *aids* to health & beauty *care*, or HBC. The impetus for the change: the discomfort some retailers feel in juxtaposing health and beauty with a word that has become perhaps the most dreaded acronym of our time.

What nonsense, you're thinking? How can they arbitrarily tamper with a product designation that goes back to the earliest days of drug stores? That's a reaction that a lot of retailers would have. Indeed, Ron Ziegler of NACDS quickly torpedoed a suggestion that the association consider following the supermarket industry's lead and change HBA to HBC. Ziegler wants to stick with the traditional.

It's hard to knock that decision. Yet, leave aside for a moment the wish not to be stampeded into change by the fear of customers associating health and beauty aids with the deadly disease. There's another reason for considering a change. And that is that health and beauty care may be more in tune with the marketing philosophy of today's retailers, who are doing more than just putting products out on shelves and waiting for customers to pick them up.

So, despite my orginal protestation about being a language traditionalist, I'd consider changing *Drug Store News'* style from H&BA to HBC. But first I'd like to hear from you. *Progressive Grocer*, a leading supermarket trade magazine, is running a coupon in its January issue asking readers to send in their opinions on the H&BA vs. HBC controversy.

I like the idea. Below is a coupon for readers to clip and send to me. FAX is a quicker alternative. If I get a good response, I'll publish the results in a future issue.

What's Your Opinion?

☐ Yes, change to HBC. ☐ No, keep H&BA.

Title (optional)__________

Company (optional)__________

Name (optional)__________

FAX: 212-838-9487

Mail to: Bruce Buckley, Drug Store News,
425 Park Avenue, New York, N.Y. 10022

Customer clout can make suppliers wince

THE HUMAN SIDE
AL HELLER

Alas, Christmas is the time of giving. It was during this past holiday season that I learned first hand exactly how giving suppliers sometimes have to be to powerful retailers. Indeed, this type of giving knows no season.

Feeling flush with several days off in December, I helped my brother, who is in his fourth year of business, primarily as a supplier of *hors d'oeuvres* to restaurants and partygivers in the greater New York area.

I arrived on this one day expecting to man his register and handle his retail customer flow. Instead, the regular driver was unavailable and I was needed to deliver around town. Outfoxing Manhattan's traffic agents, outdueling cabbies and dodging construction sites are material enough for a book, so I won't focus on that here.

Instead I'll tell about my new level of awareness of how customers with clout can make suppliers wince. This, of course, is nothing new to anyone reading this column. But there's a hell of a difference between talking squeeze theory in the office and actually living it on the street. The parties and monies involved here aren't important, but the attitude is. And it lends a fresh positive perspective on today's buzzword, partnering, which is the antithesis of what happened to me this day.

The problems begin

I was irked by my mid-afternoon delivery to this popular multi-million-dollar Manhattan eatery—not just because the client wanted more for less, but because of the implicit threat, the lack of fairness and the lack of recognition of how these high-quality *hors d'oeuvres* contributed to his image.

As I entered, customers were lined up waiting for tables. People parted so I could maneuver toward a rear counter with the order. One of the proprietors met me to examine the merchandise and invoice. Then the fun began.

He: I'm being charged for *these*? (referring to part of the listed order)

Me: It's part of the order, and it's right here. What's wrong?

He: When we called in, we explained *these* were for my personal use. I shouldn't be charged for these. Is X aware?

Me: I don't know. Why don't you pay me for this complete order, and when I go back in, I'll tell X your concern. If he agrees a mistake was made, he'll credit you on the next order.

He: On the next order!? (Then, with disdain) He wants to charge me, he'll charge me. (He then walks over to ask one of his staff.) Did you tell him this was for my own use? (His staffer nods affirmatively.) Get him on the phone.

After a hushed phone conversation that lasts about a minute, I am about to be paid the lesser amount.

While this was happening, I was thinking how my brother had to assume the risk for everything from product development to timely delivery, then foot the bill for a client's greed. The client had little more to do than hike up the price and sell the merchandise to his patrons.

This, of course, is a small-time example of the client-vendor relationship that has existed since time immemorial: favors, special services and buying the business have always been around.

I'm an editor, not a supplier. But I felt like one for the day, and can now lend more sympathy to people caught in these squeeze plays regularly.

On the bright side for the chain drug industry, heavyweight marketers from top retail chains are talking beyond platitudes about developing true partnerships with suppliers—and moving deliberately in that direction. Without large and small suppliers, after all, merchants would miss a lot: new product excitement to draw customers, incentives to promote lots of lines, and the knowledge with which to planogram effectively and derive maximum benefit from what's on their shelves.

After the way I felt that day, I hope these partnering efforts work.

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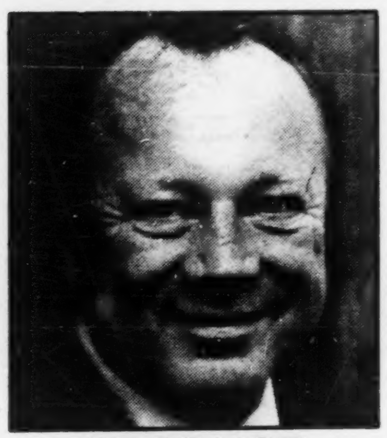
SPECIAL SAMI REPORT

'Extra strength' gaining volume among proprietaries



PRODUCT TRACKING
ALAN MILLER

The premise of "extra" and "maximum strength" is a prime motivator for line extensions in proprietary remedies. In order to assess these items' contribution to brand and category volume, we analyzed the high sales categories of internal analgesics and cold remedies for size and trends. The reports used for this special study were item scans in dollars for the year ended Sept. 8, 1989, showing national movement vs. that of a year ago for all items of major brands in these two categories in food stores.

Among internal analgesics, items under scrutiny were described as extra strength, maximum strength or arthritis strength. In the case of Ecotrin, which is a special arthritis product, only the maximum strength items were included in the breakout. Among cold remedies, besides extra strength and maximum strength descriptions, such items as Contac Severe Cold Formula were included. Those items differentiated by duration of relief claims weren't. In both categories, brands with less than a 1-percent share weren't included.

Among the 13 leading brands of internal analgesics, there are four with no extra-strength line extensions to date: Nuprin, Advil, Medipren and Panadol. There are two brands with roughly two-thirds of their volume currently provided by extra-strength line extensions. In each of these instances such items have increased in share substantially during the past 52 weeks, amounting to 2.0 share points in the case of brand "F" and 6.1 share points for brand "H". Two of the nine brands designated in the chart had losing share trends for their added-strength items: 2.3 share points for brand "D" and 0.6 of a share point for brand "G".

In the entire internal analgesics category, the identified extra-strength items had an annual volume of $316.3 million, or 28.8 percent of total category movement. Their share increased 0.6 of a point vs. the corresponding year-ago period, and their combined volume was 5.2 percent ahead of last year, as compared to a gain of 3.0 percent for the entire category.

In the cold remedies category, extra strength items overall do not have the same importance as was seen among internal analgesics, although there are two major leading brands, Sinutab II and Sinutab Maximum Strength, in which all of the volume is credited to extra strength.

Other proprietary remedy categories with extra-strength line extensions include antacids, external analgesics, cough remedies, sleeping aids, and appetite suppressants. Strength is also a variable factor in vitamin categories, both synthetic and natural.

Manufacturers wishing to secure additional information on extra-strength or other proprietary remedy line extension variables in food or drug stores, nationally or regionally, should contact Tom Angell, manager of H&BA services, Arbitron/SAMI, 41 E. 42nd St., New York, N.Y. 10017.

Dollar importance of extra strength internal analgesics in food stores

(Year ended Sept. 1989 vs. year ago)

Leading brand identification	Year ago	Current	Share change
Leading brand A	32.8%	32.9%	0.1
Leading brand B	0.8	9.9	0.1
Leading brand C	0.0	0.0	—
Leading brand D	38.4	36.1	(2.3)
Leading brand E	6.0	6.1	—
Leading brand F	63.5	65.5	2.0
Leading brand G	15.7	15.1	(0.6)
Leading brand H	60.3	66.4	6.1
Leading brand I	22.4	26.6	4.2
Leading brand J	48.1	50.1	2.0
Total leading brand extra strength volume (thousands of $)	$300,608	$316,295	5.2
internal analgesics category volume (thousands of $)	$1,064,298	$1,096,387	3.0

Source: Arbitron/SAMI

Execs predict acceleration of mergers & acquisitions: survey

NEW YORK — Merger and acquisition activity will stay at the current level or pick up over the next five years, rather than decrease, predicted 53 percent of the 150 top executives at Fortune 1000 companies who responded to a survey by Braxton Associates, the strategic consulting arm of Touche Ross.

Moreover, 77 percent of respondents expect merger activity in their own industry to maintain current levels or increase next year.

The survey was done to provide insight into the increasingly important corporate strategy of growth by merger. Braxton noted that 1988's deal value of about $250 billion, as reported by W. T. Grimm, represents 40 percent of the annual capital expenditures of U.S. corporations.

Mergers and acquisitions represent significant investments and are typically a company's largest and most time-consuming investment decision in the year the deal is done, Braxton said in the survey report, yet, "In spite of the stakes involved, the acquiring companies' odds of success are lower than for reinvestment into the base business." One reason, according to Braxton, is the 40-percent premium above market value that acquirers typically pay.

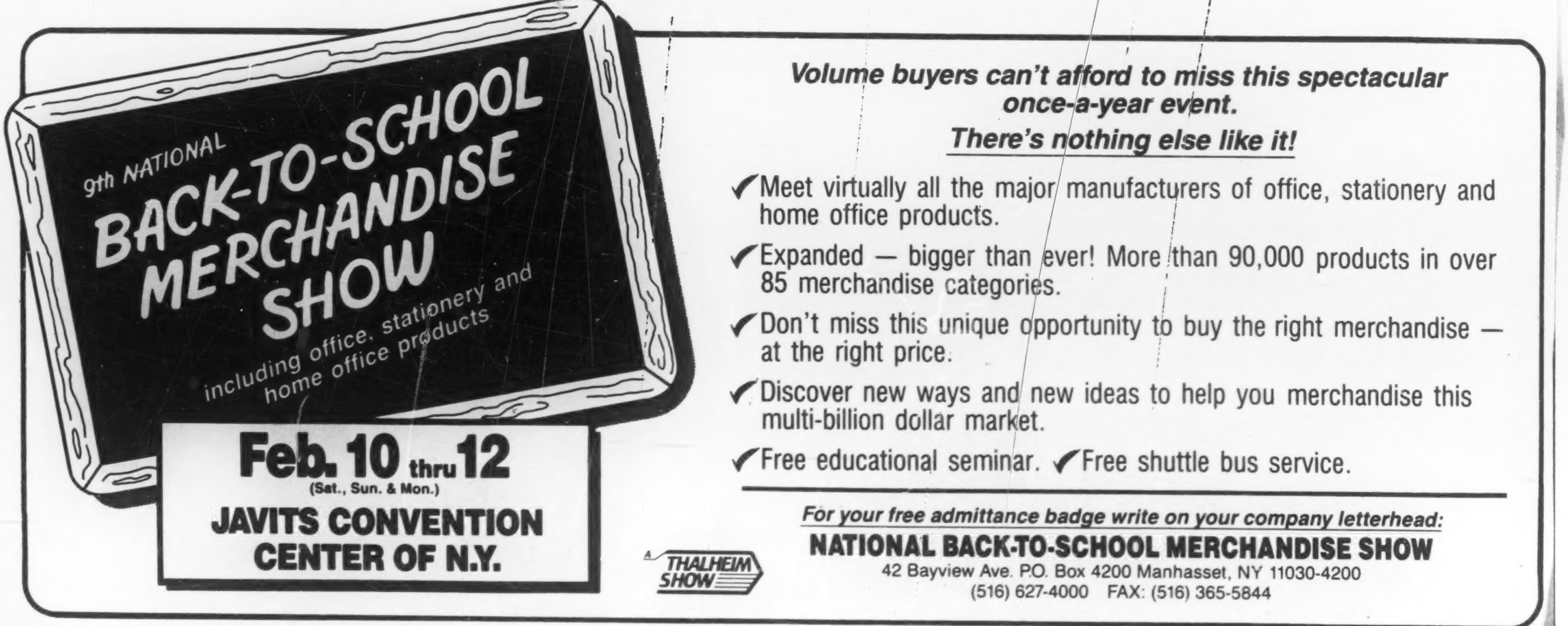
Ninety percent of survey respondents said their own companies are likely or possibly will do additional mergers within the next two years. Those who report past success with mergers are more likely to plan future mergers.

"These results strongly suggest that the tripling of the annual value of deals that took place in the 1980s is not a cyclical peak," said Thomas L. Doorley III, managing partner of Braxton and author of the report. "Merger and acquisition activity is likely to maintain this higher level in the 1990s."

Sixty percent of respondents said mergers and acquisitions already completed will help their industry's health over the next five years, while 25 percent said they will hurt, and 14 percent said they won't have an effect.

Seventy-three percent of respondents reporting on a total of 241 mergers and acquisitions said their expectations were met. On this finding, Doorley commented, "Most observers, including [Braxton], estimate that only 30 percent to 35 percent of mergers undertaken are truly successful. The extremely high report of successful mergers in our survey may reflect unwarranted optimism.

"But there are reasons to support that optimism," he continued, citing survey findings that companies are taking more time to prepare for and complete mergers, and very few diversification-driven mergers, historically the least successful, are being done.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FINANCIAL

Winter blast chills Yule sales

Continued from page 3

two days, and five straight days in which the mercury didn't rise above zero. "We expected that to have a horrible effect, but were pleasantly surprised," said Snyder Drug's president, Don Beeler. The weather affected customer counts, but shoppers bought more, he said.

Preliminary figures indicated cosmetics-fragrance sales were especially good, Beeler added.

In Michigan, Perry Drugs' Christmas sales overall were "a little softer than we'd hoped for," affected by remodeling and other programs involving store changes that Perry implemented in 1989. However, sales did pick up after the holidays, a Perry spokesman said.

Michigan-based Arbor Drugs reported a good, "on-plan" holiday season, with last-minute shoppers causing gridlocks around shopping centers, an Arborspokesman said.

Cold weather meant some "hot" items at Arbor were weather-related, such as electric blankets and Sunbeam's Cuddle-Up. Other good performers were Remington's clippers for nose and ear hairs, Dancing Flowers, telephone-related items, a videocassette rewinder, "lots of aspirin" and cough-cold products.

West Coast

On the West Coast, Bartell Drug's preliminary data showed Christmas sales "lived up to our expectations," said president George Bartell.

Bill's Drugs in California reported solid Christmas sales, although "not what everyone expected. We didn't beat last year's sales," said the chain's chairman and ceo, Bill Eames.

Northeast

In the Northeast, Genovese Drug Stores posted a 10-percent increase overall for the period from the day after Thanksgiving through Christmas Eve, which was "not what we'd expected—we projected more," said Don Gross, vp-marketing. Same-store sales rose between 5 and 6 percent. "On the whole, it was a good, but not a great Christmas," Gross added, noting that bitterly cold weather probably hurt sales. However, early bad weather may have helped prescription counts, he said, with number of prescriptions rising by roughly 10 percent and dollar sales gaining more than 20 percent over the past month or so. Genovese's photo departments also were "gangbusters."

Unlike many chains, Rhode Island-based Douglas Drug had a fortunate break in the weather, according to Steve Ferguson, vp-marketing. "It usually snowed during the night, so that roads were clear by morning. And a snow in November gave a kick to the early Christmas selling season," he said. "We're not going to do cartwheels in the streets, but we're not shedding tears, either," he summed up.

While most drug chains characterized their holiday selling period similarly to Gross's "good but not great" appraisal, one mass merchant asserted sourly, "Most chains have enough cosmetics inventory to reset an initial planogram for next year's Christmas."

Sales top $1B in Bergen's first qtr.

ORANGE, Calif.—Bergen Brunswig's net sales and other revenues broke the $1-billion barrier for the first quarter ended Nov. 30, increasing 13 percent to $1.09 billion, from $968 million in the year-ago period.

Net earnings were a record $14.9 million. The quarter includes the impact of the 3.3 million additional shares resulting from last February's recapitalization. For the prior-year quarter, earnings were $12 million.

Sales up, net down for Genovese's 3rd qtr.

MELVILLE, N. Y. — Genovese Drug Stores reported sales for the third quarter ended Nov. 10 of $90.2 million, a 12.5-percent increase from last year, with net income of $599,000, down from last year's $657,000. Year-to-date sales were $294.7 million, up 13.9 percent over last year, with income of $2.1 million, down from last year's $2.9 million.

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MARKET DIARY:

Largest Dollar Gainer	American Home Products	$ 4.63
Largest Dollar Loser	Durr-Fillauer	$– 1.75
Largest Percentage Gainer	Ketchum	140.00%
Largest Percentage Loser	Taro-Vit Industries	– 9.09%

Advances	43
Declines	10
Unchanged	4
New highs	12
New lows	2

	Close 12/26/89	Close 1/9/90	Net Change	Percent Change
Drug Store News Index	2877.83	2951.11	73.28	2.55
Dow Jones Industrial Average	2709.26	2766.00	56.74	2.09
Standard & Poor's 500-Stock Index	346.81	349.62	2.81	0.81
N.Y.S.E. Composite	191.72	193.35	1.63	0.85
Value Line Index	254.60	259.30	4.70	1.85

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 12/26/89	Closing Price 1/9/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	22.25	22.75	0.50	2.25	22	0.16	0.70	24.75	9.50
OTC	Big B	BIGB	12.38	13.38	1.00	8.08	19	0.16	1.20	15.25	10.63
OTC	Drug Emporium	DEMP	8.00	9.38	1.38	17.19	14	0.20	2.13	16.38	7.75
NYS	Fay's Inc.	FAY	10.50	10.75	0.25	2.38	14	0.20	1.86	15.00	8.63
ASE	Genovese Drug	GDX.A	9.75	9.88	0.13	1.28	14	0.24	2.43	12.88	8.75
OTC	Leroy Pharmacies	LERY	3.13	3.75	0.63	20.00	–29	0.00	0.00	5.38	2.88
NYS	Longs Drug Stores	LDG	44.25	43.13	–1.13	– 2.54	15	0.96	2.23	48.50	34.50
OTC	Medicine Shoppe	MSII	20.50	22.25	1.75	8.54	24	0.16	0.72	23.25	15.50
NYS	Perry Drug	PDS	9.38	8.75	–0.63	– 6.67	13	0.00	0.00	13.50	7.50
NYS	Rite Aid Corp. (L)	RAD	30.75	34.75	4.00	13.01	14	0.88	2.53	41.13	29.50
NYS	Walgreen Co.	WAG	44.63	45.13	0.50	1.12	18	0.80	1.77	50.25	32.75
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	22.38	24.50	2.13	9.50	14	0.32	1.31	27.25	19.50
OTC	Bindley Western Ind.	BIND	10.00	10.63	0.63	6.25	17	0.00	0.00	10.75	7.00
OTC	Cardinal Distribution (H)	CDIC	23.75	24.25	0.50	2.11	19	0.08	0.33	25.00	13.25
OTC	Durr-Fillauer (H)	DUFM	24.00	22.25	–1.75	– 7.29	14	0.24	1.08	24.38	18.00
ASE	Ketchum (L)	KCH	1.88	4.50	2.63	140.00	– 1	0.00	0.00	7.50	1.63
NYS	McKesson Corp.	MCK	34.88	36.13	1.25	3.58	16	1.44	3.99	39.75	29.63
ASE	Moore Medical	MMD	9.00	9.63	0.63	6.94	– 4	0.00	0.00	15.13	8.25
NYS	Owens & Minor	OMI	12.38	12.63	0.25	2.02	24	0.24	1.90	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	67.25	68.38	1.13	1.67	18	1.40	2.05	70.38	46.25
ASE	Alou	ALU	2.00	2.13	0.13	6.25	3	0.00	0.00	3.00	1.88
NYS	American Home Products (H)	AHP	103.38	108.00	4.63	4.47	16	3.88	3.59	110.25	81.38
NYS	Baxter International (H)	BAX	24.50	25.25	0.75	3.06	18	0.56	2.22	26.25	18.00
OTC	Block Drugs Co. (H)	BLOCA	37.25	37.00	–0.25	– 0.67	15	0.68	1.84	38.00	30.63
ASE	Bolar Pharmaceutical	BLR	17.88	17.38	–0.50	– 2.80	10	0.00	0.00	32.25	12.75
NYS	Bristol-Myers Squibb (H)	BMY	55.50	55.50	0.00	0.00	20	2.12	3.82	58.25	44.00
NYS	Carter-Wallace	CAR	57.50	57.88	0.38	0.65	18	0.80	1.38	60.50	39.13
ASE	Forest Labs	FRX	41.00	42.50	1.50	3.66	33	0.00	0.00	44.50	24.13
ASE	Halsey Drug	HDG	6.00	5.75	–0.25	– 4.17	19	0.20	3.48	7.13	3.25
NYS	ICN Pharmaceutical	ICN	5.25	5.25	0.00	0.00	–25	0.00	0.00	7.00	5.00
ASE	Lee Pharmaceutical	LPH	2.00	2.13	0.13	6.25	–14	0.00	0.00	5.38	1.88
ASE	P. Leiner Nutrition	PLI	10.25	10.38	0.13	1.22	12	0.00	0.00	14.25	8.88
NYS	Lilly Eli Co. (H)	LLY	66.00	66.88	0.88	1.33	22	1.64	2.45	69.25	43.25
NYS	Marion Labs	MKC	26.13	27.00	0.88	3.35	56	0.36	1.33	36.63	22.00
NYS	Merck Co.	MRK	75.75	77.38	1.63	2.15	21	1.80	2.33	80.75	59.75
NYS	Mylan Labs	MYL	24.13	22.75	–1.38	– 5.70	53	0.20	0.88	25.38	7.50
OTC	Newport Pharmaceutical	NWPH	3.25	3.25	0.00	0.00	–13	0.00	0.00	6.63	1.75
NYS	Par Pharmaceutical	PRX	6.25	6.63	0.38	6.00	18	0.00	0.00	11.88	3.88
NYS	Pfizer Inc.	PFE	66.75	69.63	2.88	4.31	16	2.20	3.16	75.75	54.00
NYS	Rorer Group (H)	ROR	45.88	47.63	1.75	3.81	22	0.84	1.76	48.38	36.13
NYS	Schering Plough (H)	SGP	82.75	84.25	1.50	1.81	21	1.80	2.14	87.50	56.50
NYS	Syntex Corp.	SYN	49.50	52.75	3.25	6.57	19	1.48	2.81	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.38	1.25	–0.13	– 9.09	42	0.00	0.00	1.88	1.25
NYS	Thiokol Inc.	TKC	12.63	12.88	0.25	1.98	14	0.28	2.17	121.00	12.13
NYS	Upjohn Co.	UPJ	37.88	37.50	–0.38	– 0.99	19	1.00	2.67	42.13	27.63
NYS	Warner-Lambert	WLA	113.50	113.88	0.38	0.33	19	3.04	2.67	118.75	74.75
NYS	Zenith Labs	ZEN	0.19	0.19	0.00	0.00	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	55.50	56.25	0.75	1.35	20	0.80	1.42	60.25	38.25
NYS	American Stores	ASC	56.50	59.75	3.25	5.75	25	1.00	1.67	72.50	53.00
NYS	Giant Food	GFS.A	26.88	27.38	0.50	1.86	16	0.48	1.75	36.25	22.13
NYS	K mart	KM	34.13	36.75	2.63	7.69	10	1.64	4.46	44.88	32.50
NYS	Kroger	KR	14.13	15.50	1.38	9.73	– 8	0.00	0.00	19.75	8.38
NYS	Melville Corp.	MES	43.63	44.13	0.50	1.15	13	1.28	2.90	53.63	38.13
OTC	Fred Meyer	MEYR	18.50	17.75	–0.75	– 4.05	14	0.00	0.00	23.00	15.75
NYS	Penney, JC (H)	JCP	70.75	75.00	4.25	6.01	11	2.24	2.99	75.63	50.75
NYS	Smith's Food & Drug (H)	SFD	22.88	24.38	1.50	6.56	22	0.20	0.82	25.38	20.50
NYS	Wal-Mart (H)	WMT	43.38	45.75	2.38	5.48	27	0.20	0.44	47.38	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS®

Vol. 12/No. 3 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Feb. 5, 1990

TOP OF WEEK FEATURES

Housewares show roundup

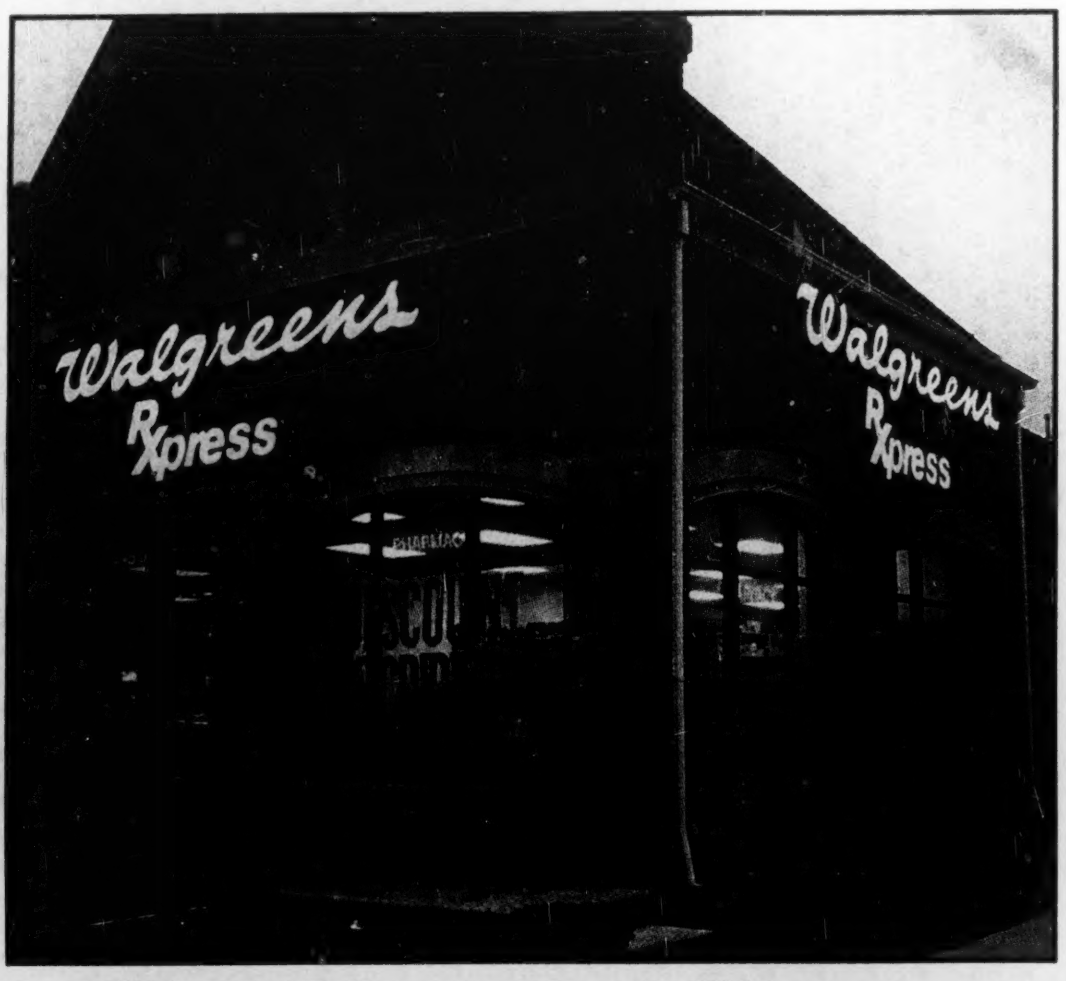
Neon colors and see-through appliances were livened up this year's NHMA gathering in Chicago. Page 3.

Chains focus on child safety

[illegible] as public service and draw crowds to store aisles. Page 13.

LATE NEWS

- COPIAGUE, N.Y. — A House subcommittee notified Bolar Pharmaceutical Co. to stop producing its version of Dyazide, due to false documentation.
- SHIREMANSTOWN, Pa. — Rite Aid has cancelled plans to build a $30 million headquarters on prime riverfront land in Harrisburg and instead will buy, renovate and build a 45,000-square-foot addition to a 160,000-square-foot building in East Pennsboro Township by 1991.
- PHOENIX — Salt Lake City-based [illegible] plans to add three more stores [illegible] Food and Drug Centers that opened here in November.
- NEW YORK — Woolworth Express moved into Manhattan Jan. 31, with its 36th store, located at First Avenue and 15th Street.



One of Walgreens' RxPress stores in metro Chicago.

Walgreen spends heavily as it looks to the future

By James Frederick

CHICAGO — Walgreen Co. continues to invest heavily in its future as the nation's leading drug chain, spending big bucks on new and remodeled stores, automation and better distribution systems.

At the company's recent annual meeting with shareholders, top officers made it clear that Walgreens' aggressive posture will continue under new president Dan Jorndt, who succeeded Fred Canning as No. 2 man at the chain Feb. 1. Some 700 shareholders packed the meeting to hear Canning and chief executive Charles Walgreen III lay out the company's growth plans for the early 1990s.

"Our capital spending budget is $200 million for 1990, which will include more than $40 million for a new distribution center in Mount Vernon, Ill., that will open next summer," Walgreen told the overflow crowd. "That $200 million is almost 70 percent more than we spent in 1989."

Besides the warehouse, the funds will help maintain a torrid pace in store expansion and renovation. Walgreens will open about 100 new units in fiscal 1990, its chairman said, and remodel another 180

Continued on page 44

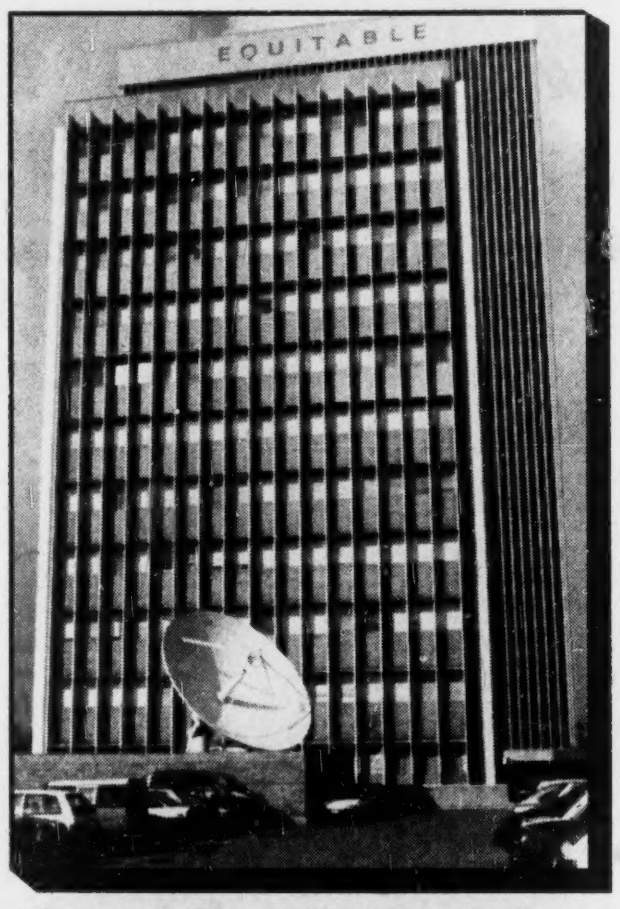
Thrifty Drugs accelerating its POS rollout

By David Vaczek

LOS ANGELES — Thrifty Drugs is preparing to reap rewards from POS sales data collection as its launches into its second year of a POS and scanning rollout. The company will double scanning systems in its Thrifty and Thrifty Jr. stores in 1990, Dick Eils, president and chief operations officer, told *Drug Store News*.

"There's going to be a wealth of information. The challenge to us is to develop meaningful reporting and distribute it to executives for use in improving the business," said Eils. Eils noted that 1990 will be the first year Thrifty will have comparable POS data from two successive years, and thus be able to use it in tailoring merchandising to local markets.

"We feel POS data gives us a much better chance to develop unique merchandising concepts and inventory controls for specific [store] areas," he said.



A huge satellite dish on Thrifty Drugs' Wilshire Boulevard office in Los Angeles receives and sends signals to its stores via the chain's growing satellite network.

See **Thrifty,** *page 45*

McK moves to acquire Canada's top distributor

SAN FRANCISCO — In a stroke that will create the first integrated international drug distribution operation, McKesson Corp. is moving to acquire Medis Health and Pharmaceutical Services, the largest and only nationwide drug distributor in Canada.

"We are excited about the opportunities presented by the extension of our operations beyond our domestic borders," said Alan Seelenfreund, McKesson's chairman and ceo, and Rex Malson, president and chief operations officer, in a joint statement.

See **McK,** *page 45*

Drug chains eye AmEx card sales

. . . as more shoppers are leaving home *with* it

By Christine Bizzarro

"Don't leave home without it."

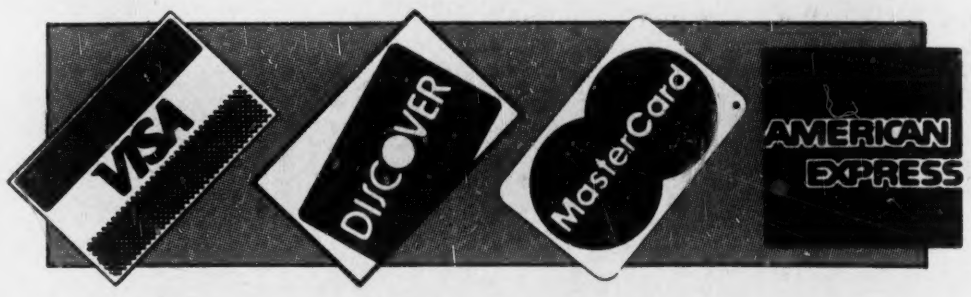
Given today's environment, that phrase could mean anything from a condom to an umbrella to, of course, a credit or charge card.

Drug chains, presuming that more consumers are packing a particular green one of the latter, are now accepting American Express in their stores—even after years of steady business with less costly VISA, MasterCard and Discover transactions.

Willing to bet that this payment option translates into goodwill and extra business, such drug chains as CVS, K&B, Peoples, Thrift, Big B and Genovese accept AmEx. Newer converts in recent months: Eckerd, Pay Less NW, and Hook-SupeRx, including Brooks.

The vast majority of drug

See **Credit,** *page 45*



In an American Express survey, shoppers chose Eckerd most frequently as the drug store where they wanted to use the card.

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NEWS IN BRIEF

McK plans big, new St. Louis DC

SAN FRANCISCO — McKesson Drug Co. plans to break ground on a new 234,000-square-foot distribution center near St. Louis, Mo., early this year.

The facility, which will replace a smaller DC in operation since 1966, will be constructed on a 15-acre site in O'Fallon, about 25 miles west of St. Louis.

McKesson has opened four new distribution centers in the past 15 months, in Cincinnati; Tampa, Fla.; Oklahoma City; and Salt Lake City, bringing the company's total warehouse space to 4.4 million square feet. With the planned DC in St. Louis, McKesson's warehouse count will be 47, all linked by satellite communications to a computer center near Sacramento, Calif.

Grass trial rescheduled to April 16

CLEVELAND — The start of the trial of Rite Aid and its president Martin Grass has been rescheduled for April 16, from its original Jan. 15 date, a circuit court official said. They face charges of attempted bribery of an Ohio State Board of Pharmacy member, which they vigorously deny.

Doherty gets NWDA committee chair

SAN FRANCISCO — Judie Doherty, vp-merchandising for McKesson Drug Co., was named chairperson of the National Wholesale Distributor's Association (NWDA) consumer products marketing committee.

She will serve as chairperson for one year, and has served on this committee for the past two years. Doherty was appointed to her current position at McKesson in 1985, and is responsible for developing merchandising policies, plans, selection of new items and categories, and selections with suppliers.

Merrell Dow adds OTC division

CINCINNATI — Marion Merrell Dow announced the formation of a new consumer products division to market the company's non-prescription products. The new division, Marion Merrell Dow Consumer Products Division, will be headed by John D. Dishaw, president of Lakeside Pharmaceuticals, a subsidiary of Marion Merrell Dow. One of the division's responsibilities includes marketing the non-prescription version of Seldane, now pending FDA approval.

Kodak exits minilab business

ROCHESTER, N.Y. — Eastman Kodak has decided to stop manufacturing photo minilab equipment, three years after the company entered the business. Noritsu America will service Kodak's existing minilab equipment in the United States.

Wholesale Club adds Ohio warehouse

INDIANAPOLIS — The Wholesale Club announced it has signed a development agreement for a new membership warehouse in Niles, Ohio, just north of Youngstown.

The 103,000 square-foot facility will be located on Eastwood Blvd., near the Eastwood Mall, and will open in the fall of 1990. The Wholesale Club currently operates 23 membership wholesale clubs in Indiana, Ohio, Michigan, Wisconsin and Minnesota.

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Drug chains help parents to promote child safety

By Christine Bizzarro

"Don't talk to strangers."

"Don't get into a car with someone you don't know."

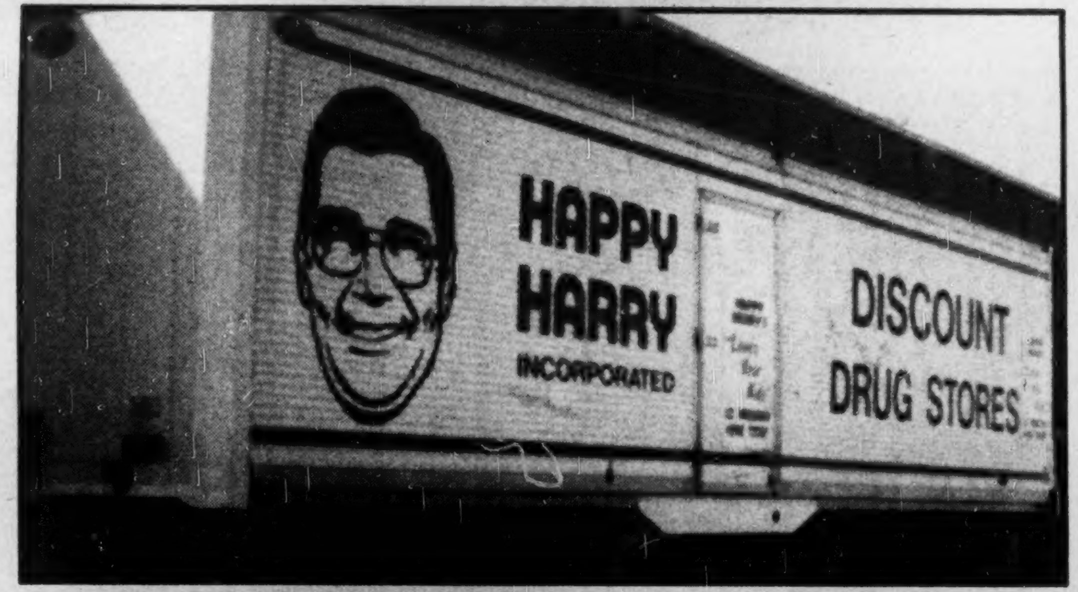
"When you answer the telephone, never tell the person you're home alone."

These sayings have been heard over and over again by children for generations, and have been repeated by moms and dads who heard them from *their* parents when they were young.

As commonplace as they might sound, there's no doubt that today's children will be repeating these precautions to their kids tomorrow. And with good reason. Over the past 10 years, incidences of child kidnapping and molestation in the United States are increasing.

Concerned parents are seeing support of their childrens' welfare from their neighborhood drug store, whether that be through specialized promotional efforts or an expanded section of child safety prod-

Continued on page 13



Happy Harry's University Plaza store in Newark, Del., set up a tractor trailer to handle the thousands of parents and children who participated in "Happy Harry's Loves Your Kids" child ID program.

Vons revamp targets working women

EL MONTE, Calif. — Aiming to lure working women to its cosmetics department, Vons Cos. debuted a new cosmetics presentation to be featured in its Pavilions and Vons Food and Drug stores.

The new cosmetics "module" was rolled into five Pavilions stores and one Vons Food and Drug store since the first prototype was unveiled last spring, said Larry Ishii, Vons Cos.' director of general merchandise and H&BAs.

"I think in the last 20 years, the single biggest factor that has molded what we do has been the rise of the "working woman," said Ishii. "We want to give the customer what they are accustomed to getting in a drug store service situation, but with an ambiance that goes beyond what you find in a drug store."

The Southern California supermarket company has revised the cosmetic department's color scheme, layout and fixtures, seeking to make the section fit in better with the Pavilions store motif, yet preserve a "store-within-a-store feel," said Ishii.

New colors, fixtures

A black and chrome color scheme launched in the first module in Garden Grove was replaced with a white, red and purple scheme matching that of the overall store. "We felt that this is a unique store and we wanted a color scheme so the module blends in," he said.

New custom-built fixtures put more emphasis on highlighting product, which includes a full complement of designer fragrances that match drug store selections. It is better lighted and its transparency creates a more uncluttered feeling. A ceiling-hung superstructure that featured photos of models has been removed.

The module includes fixtures that are center lighted, "pylons" (tall freestanding-fixtures), and the use of acrylic shelving, which is lighter than glass and disperses light better, Ishii said.

The units are located in the left front corners of the stores to help segregate the section.

H&BAs and OTC product sections, currently adjacent to the cosmetic department perpendicular to the pharmacy, have been moved from warehouse shelving to gondolas and the assortment expanded. The lotion and skin care gondola now borders cosmetics.

"We're moving all the stores back to standard gondola fixtures [for H&BAs and OTCs]. The holding power of the warehouse shelving was too much."

The assortment of H&BA merchandise has been boosted in order to meet "95 to 98 percent" of shoppers' demands. With 500 to 600 SKUs added to the product mix, the H&BA assortment in stores with pharmacies is 4,500 to 4,600 SKUs. (Non-pharmacy Vons food stores typically have 2,500.)

"We want to be known as the place where they can get all their H&BA and OTC products," with customers able to special order through the pharmacy for next-day delivery if items aren't immediately available on store's shelves.

Plans are to roll out the new cosmetics module—ranging from 800 square feet to 1,300 square feet—on a limited basis, with installations slated for two new Pavillions in Culver City and Burbank, and two more Vons Food and Drug stores.

Vons' new cosmetics module, shown here in the El Monte Pavilions Food and Drug store, shares the "drug side" of the store with gondolaed H&BAs and OTCs and the pharmacy. Some other categories, such as stationary and home office, are warehouse-shelved.

OPINION

Corner drug store's style still vital

IN THE MARKET
BRUCE BUCKLEY

A film presentation at Walgreens' recent annual meeting had a brief and funny historical vignette portraying the founder of the chain, Charles R. Walgreen, speaking on the telephone with a customer. The customer, a pleasant, matronly woman, was ordering "powders" for her husband. As the woman gave her order, Mr. Walgreen repeated it loudly to a pharmacist, who filled it and dispatched a delivery boy. And before the conversation with the drug store owner had ended, the delivery boy was knocking on the customer's door. It was perhaps the earliest use of telecommunication as a powerful retailing tool. And it helped Walgreen cement a reputation for friendly and efficient service that hasn't diminished over the years.

The attributes of the "corner drug store" that marked Walgreens in the early part of the century are as competitively potent today as ever. And it is these attributes that have the potential of setting drug stores—both chains and independents—apart as they do battle with the giants of food retailing and mass merchandisers in the nineties.

Convenience, in terms of both location and store size, is the main competitive attribute that drug stores have going for them. Female customers, who comprise about three-quarters of the typical drug store shopper base, also make up an increasingly large portion of the national work force. As such, they are pressed for time. Often they will choose a nearby drug store to pick up those two to three items that make up a typical transaction, rather than driving to a more remote supermarket, parking a long distance from the door, walking hundreds of feet to pick up those items and then standing in a slow-moving line to check out.

The focus on health and beauty care is the second potent attribute that drug stores inherit from the old-time corner drug store. It has become almost a cliché to talk about getting back to basics, but as competitive pressures intensify it's worth constant repetition.

Service is another attribute that needs to be preserved. That doesn't mean making deliveries before the customer hangs up the phone. But it does mean knowledgable and friendly pharmacists and clerks, speedy and accurate check-out and even more modern services like credit card acceptance, as the article in this issue suggests. The idea of service can also extended to fostering ease of shopping (Is there any retailer who hasn't heard the complaints of customers after a store layout is changed?), and to store ambiance: good lighting, lack of clutter and cleanliness.

There's much more, of course, and all of it is woven together like a complex spider web. But it it is these main attributes of the corner drug store that will help ensure drug stores' survival over the long haul.

The Wal-Marts, the huge combo stores and the super-sized deep discounters may seem as big and bad to drug store retailers as Tyrannosaurus Rex seemed to early mammals in the Age of Dinosaurs. But the mammals exploited their niche and won out. That's not to say that drug stores will win this battle, but they won't be luncheon morsels either.

Rx ad decision shows high court asleep

WASHINGTON PERSPECTIVE
KEN RANKIN

In one of the most important rulings of the 1970s, the U.S. Supreme Court struck down Virginia's law prohibiting price advertising of prescription drugs on grounds that this violated the First Amendment.

Certainly that was a landmark decision for retail pharmacy. It quickly lead to the elimination of similar pharmacy price disclosure bans in a number of other states. But the importance of that ruling transcended the drug store industry.

In overturning the state's Rx ad ban, the high court held for the first time that "commercial speech" (e.g. advertising) is entitled to many of the same First Amendment protections as speech by private individuals.

Suddenly, it became acceptable to advertise a wide range of goods and services that previously had been taboo. Doctors, lawyers and other professionals began to advertise their services, and in the process the marketplace became a little more competitive.

Soon private, non-governmental restraints on pharmacy price disclosure came under fire. Under pressure from Federal antitrusters, APhA and a number of state pharmacy organizations were forced to recind long-standing "ethical" codes prohibiting pharmacists from advertising prescription prices. A little more competition crept into the system.

Needless to say there was considerable resistance to the notion that pharmacists should be free to advertise Rx prices. Indeed, many independent pharmacists and pharmacy leaders favored pharmacy board rules outlawing even the disclosure of prescription prices in response to telephone requests. The way this group saw it, if consumers wanted to compare prices for Rx drugs, they could darn well walk from pharmacy to pharmacy to do it.

Organized pharmacy groups in a number of states did their best to circumvent both the spirit and the substance of the Supreme Court's Rx ad ruling. One common ploy was to allow ads for prescription medicines, but to require disclosure of so much irrelevant information that advertising became impractical.

Over the years many of these thinly-veiled state restrictions on Rx price disclosure have been identified and shot down for what they are.

Suddenly last month, the tables turned. In one of its first actions of the 1990s, the Supreme Court decided not to review a lower court's ruling which upheld an anti-competitive New Jersey law that flagrantly restricts prescription price advertising by pharmacists.

Indeed, not only does that statute bar price ads, it also prohibits the offering of discounts, "premiums or rebates of any kind whatever in connection with the sale of drugs" by New Jersey pharmacists.

How in the world can pharmacists in the Garden State justify such a blatant ban on prescription price competition? According to state officials, "razzle dazzle" price promotions for prescription products will encourage patients to switch to pharmacies offering lower prices.

Of course, that's exactly how the free enterprise marketplace is supposed to operate. But supporters of the New Jersey law contend that such pharmacy hopping by consumers would undermine the state's goal of enrolling all Jerseyites in a pharmacy-based patient medication profile system.

That's baloney. Nobody really believes that New Jersey's ban on Rx price cutting has nothing to do with the ongoing effort of independent pharmacists to insulate themselves from price competition.

I suppose we can't really blame independent druggists from trying to avoid competing with more efficient chains on the basis of price. But we certainly can blame the U.S. Supreme Court for falling asleep at the switch when this case came up for review.

For another viewpoint, see Cohen's Capsules, p. 43

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Convenience to drive baby care market sales

The U.S. birth rate is expected to drop through the mid-1990s, and more women, as many as 60 percent, will be entering the labor force at this time, predicts research firm Frost & Sullivan.

But that doesn't mean a drying-up of the baby care market—far from it. Busy moms will be eying store shelves with greater intensity for convenient, time-saving products.

The market will grow, despite the drop in the birth rate, to $7.5 billion by 1993, up from $5.9 billion in 1988, estimates Frost & Sullivan. Disposable diapers are the largest segment, with 1988 sales of $3.1 billion expected to reach $3.9 billion by 1993.

Drug chains will see thinner, more absorbent products, as well as alternatives to the disposable diaper crisis that environmentalists say adds to the solid waste problem.

Jean Allen, corporate communications director at Kimberly-Clark, said that as far as biodegradability is concerned, "time will tell whether it will be a major factor in the diaper industry." Diapers represent less than 2 percent of material found in landfills.

But, opponents argue that there is little evidence that degradable plastics actually can break down in landfills.

Yet, some chains are seeing the merit of offering alternatives to disposable diapers.

Hannaford Bros., New England combo operator, began selling Gerber Childrenswear's reusable cloth diapers in all of its stores in December.

Pay Less NW plans to devote space in its Feb. 25 circular promoting cloth diapers and other diaper accessories—such as diaper pails, diaper pail liners and rash ointments. Jim Culpepper, merchandiser, noted that "we've always sold cloth diapers in our sections, but because of environmental concerns, we decided to advertise them—to increase awareness and bring them to the forefront."

Most drug chains are still taking a wait-and-see attitude on the sale of cloth diapers. As one Midwestern buyer put it: "It will be hard for a majority of consumers to break the convenience factor of disposables, but it's a good idea to stock cloth diapers for those consumers who are aware of the environmental problem and want to do something about it."

Vereen ad tracking data: baby care

Product	Sale price	Chain
Midwest		
Baby Wash Wipes-84s	$ 2.69	Walgreens
Johnson's Baby Shampoo-11 oz.	2.24	Drug Mart
Luvs Diapers-44s (medium)	9.99	SupeRx OH
Playtex Bottles-80s	2.29	Medic Discount
Vaseline Intensive Care Oil-16 oz.	1.89	Drug Emporium
West		
Diaper Rash Ointment-4 oz.	2.99	Pay 'n Save
Huggies Diapers-32s (large)	9.99	SupeRx
Baby Orajel Teething Lotion-.5 oz.	2.99	Thrifty
Kleenex Diapers-66s (small)	9.99	Longs
Gerber Pacifier-2s	1.66	Drug Barn
East		
Johnson's Baby Powder-14 oz.	$ 2.19	Thrift
Huggies Diapers-All Sizes	10.49	Genovese
Johnson's Wipes-84s	2.59	Thrift
Baby Magic Mennen Lotion-9 oz.	1.99	Genovese
Scott Wipes-84s	1.99	CVS
South		
Johnson's Oil-14 oz.	2.19	Taylor
Pampers Diapers-60s (small)	9.00	Eckerd
Mid-Atlantic		
Baby Magic Mennen Lotion-9 oz.	1.99	Peoples
Baby Magic Mennen Lotion-9 oz.	1.79	Fantle's
Baby Magic Bath Lotion-9 oz.	1.69	Standard

Source: Vereen & Associates, Indianapolis.

Customer loyalty! Retailers report **90% repeat** purchase rate.
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Stationery Inventory Management
from the
Allen Pen Company
in the next issue of**
DRUG STORE NEWS®

Vereen ad tracking data: feminine hygiene

Product	Sale Price	Chain
Midwest		
Yeast Gard Suppositories-10s	$5.99	Revco
Always Sanitary Pads Double Plus-20s	2.69	Walgreens
Kotex Sanitary Pads Assorted-15-27s	2.89	Osco
Massengill Douche Assorted-2s	.99	Drug Mart
Summer's Eve Mist-4oz.	1.89	SupeRx OH
East		
Carefree Panty Shields-26s	1.49	Rite Aid
Tampax Tampons-40s	3.49	CVS
Stayfree Maxi Sanitary Pads	2.96	Fay's
Tucks Hemorrhoid Pads-40s	2.79	Thrift
Kotex Maxi Sanitary Pads	.99	Genovese
West		
Anyday Pantiliners-26s	1.29	Pay 'n Save
Kotex Lightdays Pantiliners	.99	Drug Barn
Always Plus Sanitary Pads-24s	3.29	Longs
New Freedom Sanitary Pads Maxi-27s	2.79	Pay 'n Save
South		
O.B. Sanitary Pads Regular/Super-16s	2.05	Super D
Massengill Assorted Douche-Twin Pack	1.29	Eckerd
Playtex Tampons-8s	.99	Taylor
Mid-Atlantic		
Assure & Natural Panty Liners 26s	1.49	Fantle's
Betadine Douche Medicated-Twin Pack	N/A	Peoples

Source: Vereen & Associates, Indianapolis.

Promos key to feminine hygiene category sales

With feminine hygiene showing a smattering of new products this past year, drug chains have moved to more frequent advertising and promotions to boost category sales.

Jim Culpepper, merchandiser at Pay Less NW, managed a 15-percent category sales gain this year, largely through manufacturer- and chain-driven promotional activity of branded sanitary napkins and tampons.

New products haven't added to category growth in his stores: "Everything I'm seeing is an extension of what I've seen before," Culpepper said—except for Playtex Portables, which he called the most innovative product he's seen in about two years.

Other chains throughout the nation report mixed results over the past year, and differing opinions on new offerings.

For example, Lisa Scott, feminine hygiene buyer at Bartell on the West Coast, said the washes and mists haven't been "any great guns for us." However, an Indiana chain will be selling a sampling: "We're looking at a new planogram for the section, and we will definitely add to our mix," the buyer told *Drug Store News*.

On the promotional side, buyers said that pre-priced products haven't affected movement. One Midwestern merchant said, "we have the same unit movement today that we had two years ago." He did note greater movement in tampons than napkins. This trend may continue with the recent FDA ruling that tampon manufacturers standardize their labelling systems on or before March 1.

Patti Goldman, staff attorney of the Public Citizen Health Research Group in Washington, D.C., said, "What's a regular absorber by one manufacturer may be a super absorber for the next. The packages are incredibly misleading."

In March, all packages will be labelled with uniform wording on the amount of fluid in grams absorbed by the tampon. The new ratings include "junior," absorbing six grams of fluid or under; "regular," absorbing six to nine grams; "super," which absorbs nine to 12 grams; and "super plus," absorbing 12 to 15 grams.

"With warnings of Toxic Shock Syndrome [TSS] directly related to the amount of absorbency in a tampon, women can make a more informed choice," Goldman said.

California star joins Yeast-Gard on national tour.

Effective Gentle Medication
RELIEVES, COOLS, SOOTHES FEMININE ITCHING, BURNING AND IRR
YEAST GARD
VAGINAL SUPPOSITORY
YEAST·GARD
For the temporary relief of minor itching and burning
10 Homeopathically Prepared Suppositories
Dual Acting Formula
$1.00 Rebate Enclosed
FEMICINE
DUAL ACTING FORMULA
VAGINAL SUPPOSITORIES
FEMICINE
For the relief of minor vaginal irritation and the removal of secretions (discharge).
10 Homeopathically Prepared Suppositories

New Femicine™ wows California.

After just eighteen months, Femicine sales in the California market have been so good, we've pushed up the campaign to introduce our newest homeopathic, feminine hygiene product on a national scale.

Coupons to generate sell-out crowds.

We'll help kick off Femicine's national roll-out with 25.4 million, high-impact, 75¢ coupons during April and May 1990. These coupons will appear in full-page, four-color ads in highly visible women's magazines, *Cosmopolitan*, *Women's Day*, *Redbook*, and *Family Circle*.

Save 75¢ on Femicine
Save 75¢ on Femicine

High-impact consumer coupons guaranteed to move product.

Family Circle
COSMOPOLITAN
FREE 23 Gift Tags Inside
240 Ideas Make This Your Best Christmas
FASHION SPECIAL

Full-page ads in major women's magazines.

The key to Femicine's success.

Why is Femicine so successful among California women?

Because Femicine is the only product in its category that relieves feminine discharge *and* itching and burning.

It's sure to be a national best-seller with women who suffer from these aggravating problems.

From the people who brought you Yeast-Gard.

Our Yeast-Gard product earned 90% distribution* and a REX Award in its first year.

REX Retail EXcellence Award

With Yeast-Gard's track record and Femicine's unique formulation, Femicine is poised to become another big winner in the feminine hygiene market.

Save on early bookings.

Take advantage of our special introductory pricing and stock up today.

For more information about quantity discounts and ordering, contact your broker or call Lake Pharmaceutical toll-free at 1-800-635-3696.

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*Distribution figure is determined by the number of top twenty-five chain drug accounts that have purchased Yeast-Gard.

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Ketchum & Co. posts $7.3M loss; margins, debt hamper turnaround

By Paul W. Cockerham

CLARK, N. J. — Ketchum & Co., the regional drug wholesaler based here, posted a $7.3-million loss, on $238.9 million in sales, for the fiscal year ended Sept. 30, 1989, its fifth straight year of red ink, according to financial documents obtained by *Drug Store News*.

This compares to a $2.1-million loss, on $97.8 million in sales, for the five-month period ended Sept. 30, 1988 (when a reorganization of the company's financial calendar took effect), and a $7.2-million loss, on $231.3 million in sales, for the fiscal year ended April 30, 1988. The current figures reflect a $14.4-million decline in sales incurred by Ketchum's Michigan operations when the Farmer Jack chain, a prime account, was bought by A&P and suppliers were subsequently switched.

Hoping to reverse Ketchum's fortunes is Steven Young, the company's chief operations and and chief financial officer, who added the title of president on Dec. 19. Efforts to reach Young for comment were unsuccessful at press time.

The latest results indicate that Ketchum's parent company, Paris-based Office Commercial Pharmaceutique, has yet to overcome persistent operational and market positioning issues that had impaired Ketchum for a couple of years prior to OCP's gaining controlling interest in the company in late 1987.

Company officials at the time hoped that economies of scale would be realized through acquisitions, and once losses in were controlled, profitability would increase. But this strategy has been delayed, as the competitive metropolitan New York market (where Ketchum maintains a 15-percent share) has not yielded the margins the aggressively-priced company has sought. Operating capital has largely come from loans from the parent company: more than $12.6 million in such loans have been advanced to Ketchum since March 1988, according to Ketchum's most recent Form 10-K, and escalated debt service levels (more than $2.8 million in the past fiscal year) have depressed earnings.

Ketchum now has a $27-million loan facility and has made some debt/equity swaps to correct bank provision violations. OCP International (OCP's U.S. division) as a result now holds a 69-percent controlling interest of Ketchum's outstanding shares. The estimated 660,000 publicly-traded shares have been subject to considerable price volatility as of late: trading as high as $7 per share and as low as $4½ during the past fiscal year, prices plunged to just over $1 by the end of December, rebounded to $4⅝ by the second week in January, and settled at $3⅜ before trading halted (due to "lack of interest," according to an American Stock Exchange spokesperson) on Jan. 12. Trading resumed on Jan. 24, at $3.

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Sales soar, net slips for Drug Emporium 3rd qtr.

COLUMBUS, OHIO — Aggressive pricing caused 3rd-qtr. net earnings for Drug Emporium to slip, despite record sales, company officials said.

Net income for the quarter, which ended Nov. 30, was $1.4 million, versus $1.7 million for last year's period. Net sales reached $120.6 million, up 20 percent from last year.

For the nine months, net income was $5.5 million, up from last year's $4.9 million, on sales of $354.2 million, up from last year's $294.0 million.

During the quarter, the company completed the acquisition of the Milwaukee franchise operations. Negotiations for the purchase of the Minneapolis franchise were suspended, according to a company spokesperson, when agreement could not be reached on terms.

Cardinal scores gains in 3rd-qtr. net, sales

DUBLIN, Ohio — New markets and increased hospital business helped boost Cardinal Distribution's earnings and net for the third quarter ended Dec. 31. Earnings climbed 53 percent, to $3.3 million, and sales increased 21 percent to a record $220.7 million.

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Vol. 12, No. 3 Feb. 5, 1990

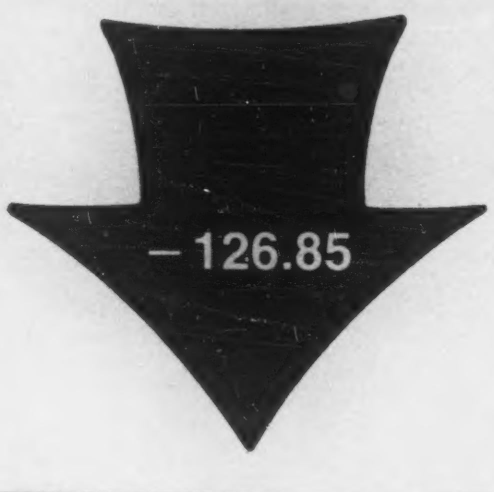
MARKET DIARY:

Largest Dollar Gainer	Rorer Group	$ 13.88
Largest Dollar Loser	Penney, JC	$– 7.75
Largest Percentage Gainer	Rorer Group	29.13%
Largest Percentage Loser	Ketchum	–33.33%

Advances	4
Declines	49
Unchanged	1
New highs	1
New lows	1

	Close 1/9/90	Close 1/23/90	Net Change	Percent Change
Dow Jones Industrial Average	2766.00	2615.32	–150.68	–5.45
Standard & Poor's 500-Stock Index	349.62	331.61	– 18.01	–5.15
N.Y.S.E. Composite	193.35	183.60	– 9.75	–5.04
Value Line Index	259.30	244.58	– 14.72	–5.68

Source: Nordby International Inc., Boulder, Colo.



Exch	Company	Ticker Symbol	Closing Price 1/9/90	Closing Price 1/23/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	22.75	21.00	– 1.75	– 7.69	20	0.16	0.76	24.75	10.38
OTC	Big B	BIGB	13.38	12.63	– 0.75	– 5.61	18	0.16	1.27	15.25	10.63
OTC	Drug Emporium	DEMP	9.38	8.75	– 0.63	– 6.67	13	0.20	2.29	16.38	7.75
NYS	Fay's Inc.	FAY	10.75	10.13	– 0.63	– 5.81	13	0.20	1.98	15.00	8.63
ASE	Genovese Drug	GDX.A	9.88	9.75	– 0.13	– 1.27	14	0.24	2.46	12.88	9.50
OTC	Leroy Pharmacies	LERY	3.75	4.38	0.63	16.67	–34	0.00	0.00	5.38	2.88
NYS	Longs Drug Stores	LDG	43.13	42.00	– 1.13	– 2.61	14	0.96	2.29	48.50	34.50
OTC	Medicine Shoppe	MSII	22.25	21.50	– 0.75	– 3.37	24	0.16	0.74	23.25	16.38
NYS	Perry Drug	PDS	8.75	8.25	– 0.50	– 5.71	12	0.00	0.00	13.50	7.50
NYS	Rite Aid Corp.	RAD	34.75	31.38	– 3.38	– 9.71	13	0.88	2.80	41.13	29.50
NYS	Walgreen Co.	WAG	45.13	41.88	– 3.25	– 7.20	16	0.80	1.91	50.25	34.25
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	24.50	22.50	– 2.00	– 8.16	13	0.32	1.42	27.25	19.63
OTC	Bindley Western Ind.	BIND	10.63	10.13	– 0.50	– 4.71	17	0.00	0.00	10.75	7.00
OTC	Cardinal Distribution	CDIC	24.25	20.50	– 3.75	–15.46	16	0.08	0.39	25.00	14.25
OTC	Durr-Fillauer	DUFM	22.25	21.75	– 0.50	– 2.25	14	0.24	1.10	24.38	18.00
ASE	Ketchum	KCH	4.50	3.00	– 1.50	–33.33	– 1	0.00	0.00	7.38	1.63
NYS	McKesson Corp.	MCK	36.13	35.63	– 0.50	– 1.38	15	1.44	4.04	39.75	29.63
ASE	Moore Medical	MMD	9.63	9.00	– 0.63	– 6.49	– 3	0.00	0.00	15.13	8.25
NYS	Owens & Minor	OMI	12.63	11.63	– 1.00	– 7.92	22	0.24	2.06	15.88	11.25
Manufacturer's transactions											
NYS	Abbott Labs	ABT	68.38	66.00	– 2.38	– 3.47	17	1.40	2.12	70.38	48.13
NYS	American Home Products	AHP	108.00	104.25	– 3.75	– 3.47	15	3.88	3.72	110.25	84.13
NYS	Baxter International	BAX	25.25	23.75	– 1.50	– 5.94	16	0.56	2.36	26.25	18.50
OTC	Block Drugs Co.	BLOCA	37.00	35.00	– 2.00	– 5.41	14	0.68	1.94	38.00	30.63
ASE	Bolar Pharmaceutical	BLR	17.38	16.75	– 0.63	– 3.60	10	0.00	0.00	32.25	12.75
NYS	Bristol-Myers Squibb	BMY	55.50	53.13	– 2.38	– 4.28	19	2.12	3.99	58.25	44.50
NYS	Carter-Wallace	CAR	57.88	55.00	– 2.88	– 4.97	17	0.80	1.45	60.50	39.13
ASE	Forest Labs	FRX	42.50	41.50	– 1.00	– 2.35	32	0.00	0.00	44.50	25.38
NYS	ICN Pharmaceutical	ICN	5.25	5.00	– 0.25	– 4.76	–24	0.00	0.00	7.00	5.00
ASE	Lee Pharmaceutical	LPH	2.13	1.88	– 0.25	–11.76	–13	0.00	0.00	5.38	1.88
ASE	Leiner P. Nutrition	PLI	10.38	9.75	– 0.63	– 6.02	11	0.00	0.00	14.25	9.63
NYS	Lilly Eli Co.	LLY	66.88	64.13	– 2.75	– 4.11	21	1.64	2.56	69.25	45.63
NYS	Marion Labs	MKC	27.00	27.38	0.38	1.39	57	0.36	1.32	36.63	22.00
NYS	Merck Co.	MRK	77.38	71.88	– 5.50	– 7.11	20	1.80	2.50	80.75	61.25
NYS	Mylan Labs	MYL	22.75	19.75	– 3.00	–13.19	46	0.20	1.01	25.38	7.50
NYS	Par Pharmaceutical	PRX	6.63	7.88	1.25	18.87	22	0.00	0.00	11.38	3.88
NYS	Pfizer Inc.	PFE	69.63	68.50	– 1.13	– 1.62	16	2.20	3.21	75.75	54.00
NYS	Rorer Group (H)	ROR	47.63	61.50	13.88	29.13	29	0.84	1.37	64.63	36.13
NYS	Schering Plough	SGP	84.25	80.50	– 3.75	– 4.45	20	1.80	2.24	87.50	58.50
NYS	Syntex Corp.	SYN	52.75	49.75	– 3.00	– 5.69	18	1.48	2.97	54.50	36.50
OTC	Taro-Vit Industries (L)	TAROF	1.25	1.13	– 0.13	–10.00	38	0.00	0.00	1.88	1.13
NYS	Upjohn Co.	UPJ	37.50	35.25	– 2.25	– 6.00	17	1.00	2.84	42.13	27.63
NYS	Warner-Lambert	WLA	113.88	108.75	– 5.13	– 4.50	19	3.04	2.80	118.75	77.38
NYS	Zenith Labs	ZEN	0.19	0.19	0.00	0.00	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	56.25	53.25	– 3.00	– 5.33	19	0.80	1.50	60.25	38.63
NYS	American Stores	ASC	59.75	58.25	– 1.50	– 2.51	25	1.00	1.72	72.50	53.00
NYS	Giant Food	GFS.A	27.38	26.25	– 1.13	– 4.11	15	0.48	1.83	36.25	22.13
NYS	Great Atlantic&Pacific Tea	GAP	58.25	56.25	– 2.00	– 3.43	0	0.00	0.00	65.38	47.00
NYS	K mart	KM	36.75	33.88	– 2.88	– 7.82	9	1.64	4.84	44.88	32.50
NYS	Kroger	KR	15.50	13.13	– 2.38	–15.32	– 7	0.00	0.00	19.75	9.00
NYS	Melville Corp.	MES	44.13	43.75	– 0.38	– 0.85	13	1.40	3.20	53.63	39.00
OTC	Fred Meyer	MEYR	17.75	17.25	– 0.50	– 2.82	14	0.00	0.00	23.00	15.75
NYS	Penney, JC	JCP	75.00	67.25	– 7.75	–10.33	10	2.24	3.33	75.63	50.75
NYS	Smith's Food & Drug	SFD	24.38	23.75	– 0.63	– 2.56	21	0.20	0.84	25.38	20.50
NYS	Wal-Mart	WMT	45.75	42.38	– 3.38	– 7.38	25	0.20	0.47	47.38	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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PHARMACIST EDITION

1990 Pharmacist's Reference to Patient Counseling

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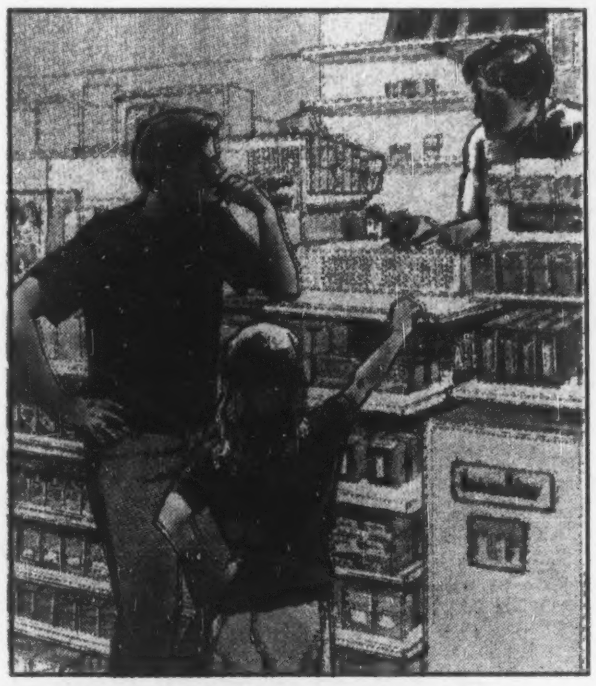

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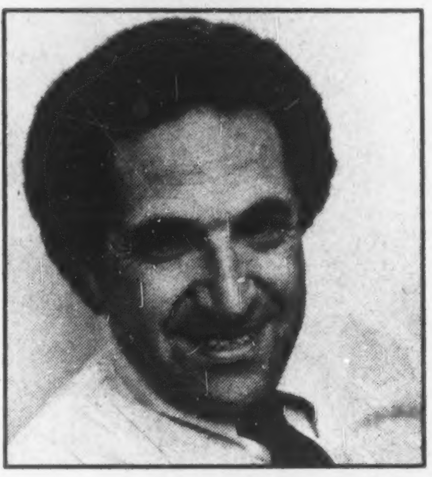
Vol. 5, No. 2 Feb. 12, 1990

Editor's Welcome



As we enter a new decade, the staff at *Drug Store News/Inside Pharmacy* is pleased to present the 1990 edition of our valuable ***Pharmacist's Reference to Patient Counseling***.

Pharmacy has changed dramatically over the past several decades. The professon being practiced today is very different from that of yesteryear. With few exceptions, pharmacists are no longer required to compound prescriptions. Most of the labor-intensive compounded prescriptions have given way to sophisticated and more potent prescription products already prepared by drug manufacturers. While these new products bring vast improvements in health care and the style of living for millions afflicted with disease, they also require a closer evaluation of a patient's medical and drug profile by the pharmacist.

The name we chose for this publication was not by accident. It is a *reference* book expressively prepared for *pharmacists* to aid them in *counseling* their *patients*. Therefore, it is our hope that you, the pharmacist, will use this book frequently, so that your patients may continue to receive the quality health care they have come to expect from their pharmacist.

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Generic Substitution Guide

Branded Products with Highest Rate of Substitution

Product	Rate of Substitution
Flagyl	77 %
Benadryl	73
Vibramycin	69
Keflex	68
Bactrim DS	67
Elavil	67
Septra DS	66
V Cillin K	66
Librium	65
Soma	64

Therapeutic Categories with Highest Rates of Substitution

Theapeutic Cateogory	Rate of Substitution
Trichomonacides	70%
Trimethoprim	64
Pencillins	62
Narcotic Analgesics	49
Anti-Parkinsonism Drugs	46
Psychostimulant Tranquilizers	45
Antidiarrheals	43
Diuretics	41
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Source: Market Measures, National Substitution Audit Jan.-June, 1989

C5150-2

DRUG STORE NEWS®

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Revco to refocus with selloff

By James Frederick

TWINSBURG, Ohio — The planned sale of 712 drug stores by Revco D.S. is likely to trigger a piecemeal buying spree by rival drug chains in 17 states, while leaving Revco free to focus on its strongest markets.

Revco announced that it was planning to concentrate its limited resources by selling off more than a third of its 1,873-store network. The sales would leave Revco with 1,161 stores generating nearly $2 billion in sales in 10 contiguous Eastern and Southern states, and leave intact its strong presence in the Carolinas, Georgia, Ohio, Virginia and other states.

Revco's proposed downsizing strategy draws a largely favorable response from analysts, investors and trade creditors. See page 85 for an analysis.

Revco will take a one-time, $230 million charge against third-quarter earnings to cover costs associated with the downsizing, according to a spokesperson.

The massive selloff will enable the chain to focus growth and build market share in its best and most cost-effective markets, said Revco chairman and chief executive Boake Sells. "We will be a much stronger competitor in our chosen markets, both operationally and financially," he noted. "Since total capital expenditures for the chain will not be reduced, ongoing areas of operation will see remodelings and technological enhancements much earlier than previously planned."

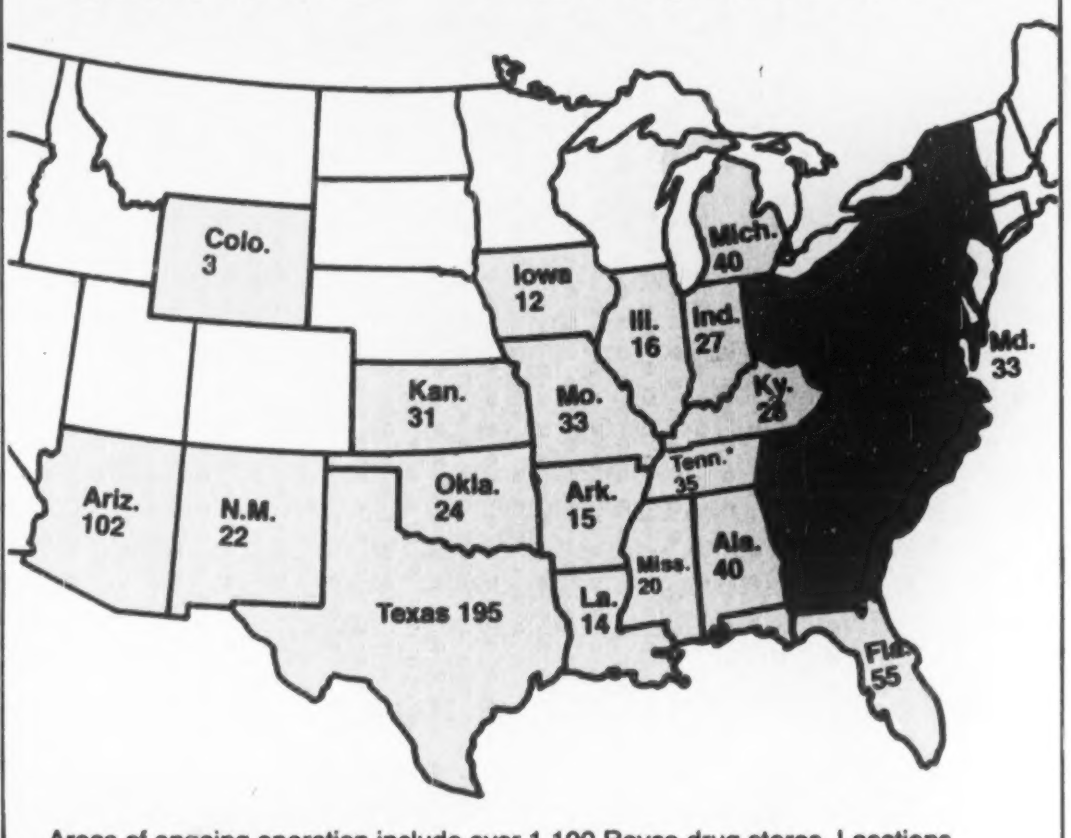
In addition, he said, the cash generated by the store sales should quicken the pace of Revco's financial reorganization as it works its way out of bankruptcy. However, Sells added, "Downsizing is the right strategy for

See **Revco,** *page 85*

Revco looks to trim down

Revco currently operates 1,873 stores in 27 states and has annual sales in excess of $2.7 billion. Map shows current numbers of stores in each state.

Ongoing operations: ■ **Locations targeted for divestiture:** □



Areas of ongoing operation include over 1,100 Revco drug stores. Locations targeted for eventual divestiture represent about 36 percent of total chain sales.

*In Tennessee, Revco will retain its 67 locations in metropolitan Chattanooga and points further east. It plans to divest those 35 stores west of metropolitan Chattanooga.

Source: Revco D.S., Inc.

Dot's new owners set an aggressive agenda

LENEXA, Kan. — Dot Discount Drugs' new owners plan to recast the 14-store deep discounter through efforts to boost convenience, image and selection in the stores and an aggressive, well-funded expansion program, Jerry Gaddis, new vp-merchandising and co-owner, told *Drug Store News*.

Gaddis is part of a four-person investment and management group which bought Dot from Wal-Mart Stores in a deal made final on Feb. 1. The team also includes new Dot president Ron Benjamin and chief financial officer Paul Miller, who largely financed the purchase with their own funds, as well as vp-operations Terry Files.

Benjamin and Miller are Kansas City investors and entrepreneurs who

See **Dot,** *page 85*

Sav-on, recapturing growth as a separate division of American Drug Stores, is competitive in maturing areas east of L.A.

American Drug Stores' execs working out of Eastern office

OAK BROOK, Ill. — Gradually and without fanfare, American Drug Stores has shifted all central decision-making and support functions to its Osco headquarters here, resolving in the process some confusion about whether the company was being run from Anaheim, Calif., or Oak Brook.

Over the past several months, all the company's top executives, including chairman, chief executive and president Dick Scott, and senior vp-pharmacy opera-

See **American,** *page 85*

McK eyes tighter credit; cites debt-heavy retailers

NEW YORK — Noting that "the ballgame has changed in the retail community," McKesson Corp. indicated it will more closely scrutinize its credit policies.

At a meeting with analysts here recently, Alan Seelenfreund, McKesson's chairman and ceo, said today's growing roster of highly leveraged retail accounts makes such a policy necessary for the nation's No. 1 drug wholesaler.

A credit policy review may lead the wholesaler to make provisions for or write off some bad debts, in the opinion of analysts in attendance.

Seelenfreund, when questioned about his remarks on a credit review, downplayed the issue, saying that because of LBO and restructuring activity among retailers, "we need to focus our

See **McK,** *page 85*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

F WEEK TURES

ug buyers T-S sparkle

pressures mean upgraded, eye-catching products will be in the forefront at the Back-to-School Show. Page 33.

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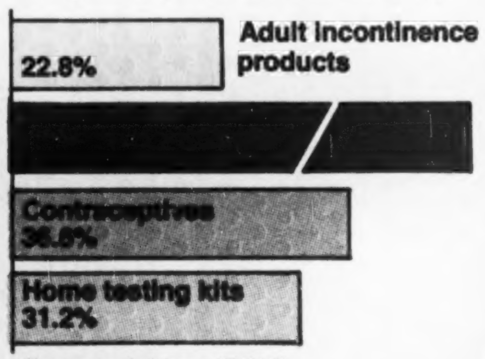
Hot categories in drug stores

(Growth rate annual percentage gains, year ended 12/01/89)



Source: Arbitron/SAMI

The results are in. . .

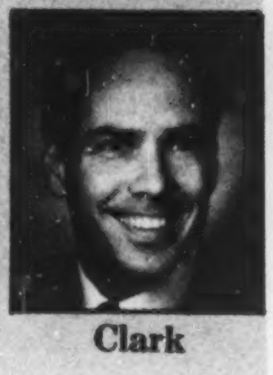
and Arbitron/SAMI's data shows what the hot product categories were in drug stores last year. Page 6.

LATE NEWS

- INDIANAPOLIS — Thomas Cunningham, a 30-year Hook's veteran, has been named president of the Hook Drug Division of HSI, replacing Newell Hall, who plans to retire in April.
- NEW YORK — Starting this April, 31 of E. E. Nichols' 34 full-line discount stores will be recast into a format, called Pharmhouse, emphasizing pharmacy, H&BA, cosmetics and hardgoods, with everyday deep discount pricing.
- WILSONVILLE, Ore. — Pay Less Drug Stores has created two new California districts. Jack Love will head a central/Northern district based in Rocklin, and Stu Stryker an Irvine-based Southern district.
- SCARBOROUGH, Maine — Wellby Drugs and parent Hannaford Bros. launched the CHIP network, which links all drug store and supermarket pharmacy files.

NEWS IN BRIEF

K&B names Clark marketing vp



Clark

NEW ORLEANS — Lance Clark has been named vice president and director for marketing of K&B, Inc., the 153-store chain based here, it was announced.

Clark was previously general merchandise manager for Snyder Drug Stores, Minneapolis.

Roettger moves to Snyder

MINNETONKA, Minn. — Snyder Drug Stores has hired Don Roettger as director of merchandising, to replace Lance Clark, who went to K&B.

Roettger was previously vp/merchandise manager of Peoples Drug Stores, based in Alexandria, Va. He was with Peoples for 19 years, starting as a buyer in what was then its Lane Drug Store division.

At Snyder's, he will direct the buying department and help implement the chain's advertising and merchandising plans.

Imasco unit buys Roy's

MONTRÉAL — Hardee's, the 3,298-unit hamburger chain owned by Imasco Ltd., parent of Shoppers Drug Mart and Peoples, has agreed to acquire the Roy Rogers restaurant chain from Marriott Corp. for $365 million.

Although it may be too early to tell whether this represents any sort of resource reallocation for Imasco, executives at Hardee's, a wholly-owned subsidiary, say the move overnight gives them the economies of scale to strengthen and extend their dominance in the Southeast and Midwest markets to the Eastern seaboard areas where Roy Rogers operates.

New Moore DC bows near Chicago

NEW BRITAIN, Conn. — H.L. Moore Drug Exchange, a division of Moore Medical, has opened a new distribution center in Lemont, Ill. The 35,000 square-foot facility, just 20 miles southwest of Chicago, features a professional affairs department providing customers with formulary information, medical and bioavailability information, and AWP listings.

Thomas leaves SupeRx

PHOENIX — Tommy Thomas has left SupeRx Corp., where he was senior vp-marketing. His departure last month was for personal reasons, a source told *Drug Store News*. Thomas was one of the founders of the chain.

Thomas, a former Kroger company merchandiser, was most recently working in St. Louis overseeing the SupeRx-owned Medicare-Glaser stores, and reported to Jim Mastrian, who was recently hired as SupeRx's president.

The leave-taking followed a shift in duties related to SupeRx's acquisition of Medicare-Glaser, the source said.

Jerry Ray, SupeRx senior vp, was named as general manager for the Medicare-Glaser stores.

Marketing duties for the chain including the St. Louis division are handled by Bruce Schwallie, vp-marketing, who reports to Mastrian.

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Beauty Brands franchising fragrance, cosmetic shops

Don Fox, ex-Perry prez, in venture

By Elizabeth Parks

SOUTHFIELD, Mich. — Beauty Brands, a distributor of designer and domestic fragrances to independent drug stores, is planning to develop and franchise a chain of cosmetic and fragrance beauty shops.

President Don Fox, the former Perry Drug executive, said he hopes to open the first prototype store this summer in a mall location within metro Detroit. The prototype will be partly fashioned after a small six-unit chain of cosmetic stores that Beauty Brands acquired last year from a company called Special Cecille's.

The chain, currently made up of four mall kiosks and two 500-square-foot stores, has been renamed The Cosmetic Counter.

The original mix consisted of a limited assortment of private label color cosmetics, cosmetic accessories and an assortment of designer and domestic fragrances. Fox is modifying the mix, eying a broader assortment of color cosmetics, fragrances and accessories.

At the heart of the mix is a private cosmetics line, Special Feature. Fox plans to expand that line and add two more lines: one upscale and one for women of color. Fox isn't planning to carry any department store or mass color lines. He will focus instead on two or three private label cosmetic lines "with limited distribution, so we can offer something meaningful to our customers exclusively."

The final mix

Altogether, he thinks the final mix will be between 1,000 and 1,200 color SKUs, plus 1,000 SKUs of domestic and designer fragrances. The mix will also include a four-foot display of professional nail products, cosmetic brushes and bags. The moderately priced brushes will be pegged at under $3 retail; more upscale brushes will retail at $5 to $7. Hair jewelry, costume jewelry, and possibly fashion scarves and accessories will be part of the mix.

At press time, Fox was still putting together the manual and training programs for the franchised part of the business, which he expected to be up by mid-summer. He also anticipates signing leases and opening two company stores by next fall.

He estimated that initial franchises might cost about $100,000 to $125,000.

He anticipates first year sales per store at about $300,000, and $500,000 to $700,000 at maturity. Gross margins should range from 40 percent to 50 percent, depending on mix.

He thinks that franchisees would probably buy a lot of their product from the distribution side of Beauty Brands Business, although the contract will not stipulate where people have to buy anything.

Woolworth Express, new kid on the block

By Christine Bizzarro

NEW YORK — Woolworth Express, the fresh-faced miniature of the old-time five-and-dime store with a new emphasis on H&BAs, OTCs and cosmetics, expanded further in New York City this month by opening a second store in a non-mall, non-strip, neighborhood setting.

The chain's 35th store, at First Ave. and 15th St. in Manhattan, lacks the signature format of other Woolworth Express mall stores—gondolas slanting toward the center promotional aisle—but packs a hefty punch in 4,000 square feet.

"This store's space doesn't warrant that format, and this format is better accustomed to the traffic of this store," John Miller, director of stores for Woolworth and Woolworth Express, told *Drug Store News*. He said space in neighborhood stores varies, while Express stores in malls and strip-settings are usually 6,000 square feet.

In this store, a central traffic aisle is filled with seasonal Valentine merchandise, with cosmetics on the right and video on the left. Aisles run vertically from front to back, and merchandise is stacked to the ceiling.

Steve Tokay, director of marketing for Woolworth Express, said this store carries a strong selection of housewares, plastics and kitchen utensils, because that's what the customers here want.

And the school supply selection will do well, Tokay said, because of a high school two blocks away, and Beth Israel Hospital, which teaches nursing.

Inner city Woolworth Express relies on high-turn categories such as household chemicals, and high stacking, to build shelf productivity.

Candies and snacks, greeting cards, and prerecorded videotapes are all displayed in a space-efficient manner with an emphasis on top sellers.

Manager Dennis Greenland said not only is the store's mix different from that of Woolworth, but managing an Express store is different as well.

"We have a POS system here, the ordering is done faster and we get more turnover," Greenland, a former Woolworth manager, said. The state-of-the-art computer system includes slot scanning and automatic inventory replenishment.

Tokay said there are plans to furnish all Woolworth stores by year-end with the POS system that Express has been using. The chain is continuing to open new stores in markets it has already penetrated, including strip centers in California, Minnesota and Illinois. And the company is targeting neighborhood sites on the East Coast, including stores in Maryland, New Jersey and New York.

Woolworth Express hopes to open 20 additional stores in 1990—among them a store on 23rd St. in Manhattan, and another in Jersey City, N.J., near a bustling mass transit transfer point.

OPINION

Revco's selloff key to revitalization

IN THE MARKET

BRUCE BUCKLEY

Revco's decision to pare down its store base and refocus on stronger markets east of the Mississippi makes a lot of sense. It is also highly reminiscent of actions taken by other troubled retailing giants who have gone on to kindle smaller but hotter competitive fires in the ashes of their former empires.

Safeway is one recent example that comes to mind. Like Revco, the Oakland, Calif.-based food/drug operator was saddled by an onerous debt load following its $4.2 billion leveraged buyout in late 1986. Once the supermarket industry's highest-volume performer, Safeway today is a far smaller yet more dynamic retailer. Its return to profitability was largely the result of a radical retrenchment back to a core of 1,100-plus stores in the chain's best markets.

Revco's retreat gives the chain its best shot to follow Safeway's lead. In the go-go years of the '70s and early '80s, Revco gobbled up stores with reckless abandon. No market seemed too distant or forbidding to discourage its insatiable appetite. Though not the only drug chain pursuing a "damn the torpedoes" growth strategy, Revco was the industry's top honcho in store count. Its downfall was as much a result of the oppressive weight of this far-flung empire as of some poorly conceived acquisition and financial decisions, most notably the Odd Lot purchase and an overly ambitious LBO plan.

> *Inflation no longer papers over poor performance, and the competition has developed Jaws-like teeth. The best operators focus their resources on the most viable markets and forget the rest.*

The prevailing industry strategy today is much more conservative.

ACURA
CALIFORNIA
HABA REP

Now Revco has joined the group. It will use its limited resources to improve strong markets as well as to enhance crucial support systems. Though success is by no means assured, Revco has vastly improved its chances.

* * *

Now a quick report on my recent column suggesting a change in the traditional term health & beauty aids (H&BA) to health & beauty care (HBC).
The response was small but decidedly opposed to any change.

From T. Pat McLaughlin, president of HABA West, Santa Ana, Calif., came this reply:

"Being a basic traditionalist, my vote is to keep the category as it has been—H&BA. My two main reasons for this opinion are as follows:

"1. H&BA started in the drug industry. Why let a food publication change the description. Let them stick to frozen food!

"2. I'd really be in trouble. (I would have to get) a new company name, new stationery and new license plates [See photo above]. No way!"

And from pharmacist Gerald Eger, Lebanon, Ohio, this tongue-in-cheek response: "An earth-shaking issue such as this surely makes third-party reimbursement, the generic drug controversy, the budget deficit and the plight of the homeless seem so trivial!"

Ouch!

Involvement key to motivation, productivity

THE HUMAN SIDE

AL HELLER

Are retailers more skeptical than journalists? Are they too 'knowing' to consider a program for their chains that could pay huge returns on a fairly modest investment and convince line and staff people they are valued?

I'm speaking of a corporate culture change, a major undertaking that needs total support from the chairman to store clerks in order to work, yet has been proven to produce tangible performance and profits improvements in companies committed to change. Hundreds of major packaged goods companies and others have such programs underway.

Among them: Lebhar-Friedman, Inc., this newspaper's parent company—which explains why this is on my mind. When thinking about how this program, Performance Management, is being enacted where I work, I saw its tremendous retail applications.

Retail, after all, is where customers interact mostly with part-time store staffers, who are in a position to foster shopper loyalties or cause them to be severed. Store staff is turning over at greater than 20-percent rates in many markets, and with the available pool diminishing, it makes sense to involve staff more deeply in the company's mission and pay greater attention to their achievements. Don't underestimate them; assume they want to contribute to a chain's success. This proactive program may help many workers stay longer, work better and satisfy more customers.

Nowhere but in retail are the fortunes of even the most disciplined, far-flung operators so vulnerable to the performance of fairly transient part-timers. Indeed, store staffers play a large role in a chain's public image—and consequently, store-level productivity.

Performance Management has so impressed J. Roger Friedman, this company's president, that he is committed to making Lebhar-Friedman one of the nation's 50 best companies to work for. The program emphasizes and rewards positive reinforcement, personal and team initiatives, and encourages each worker to assume an active role in defining his or her duties and goals.

Some examples of how Performance Management has been working across the country:

- A Kodak division cited 60 percent more customer satisfaction and 70 percent more order-filling accuracy.
- First National Bank of Kansas City reduced customer complaints 97 percent and employee absenteeism 51 percent over a one-year period.
- Blue Cross and Blue Shield of Alabama boosted adjudicated claims per employee by almost 300 percent over three years, and slashed unprocessed 30-day-old claims by more than two-thirds over 18 months.

Are old cultural habits and negative politicking difficult to kill? You bet. Bank on five years or more of patience and diligence, then count the emotional and fiscal rewards.

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SPECIAL SAMI REPORT

Hot product categories tracked in drug stores for '89

PRODUCT TRACKING

ALAN MILLER

Dry grocery: non-food categories with highest dollar growth rates in drug stores

(Year ending 12/01/89 percentage gain vs. year ago)

Insect Repellents	54.0%
Fireplace Logs & Bricks	35.6
Mildew Removers	34.6
Sponges	27.9
Coffee Filters	25.7
Air Fresheners	24.0
Adult Incontinence Products	22.8
Poly Wrap	22.8

Source: Arbitron/SAMI

Dry grocery: non-food categories with highest retail dollar volume in drug stores

(Year ending 12/01/89—in millions of dollars)

Cell Batteries	$346.8
Disposable Baby Diapers	227.6
Sanitary Napkins	190.1
Soaps-Hand & Bath	148.6
Tampons	142.4
Heavy Duty Detergents	124.1
Adult Incontinence Products	110.0
Light Bulbs	104.6

Source: Arbitron/SAMI

Food categories with highest growth rates in drug stores

(Year ending 12/01/89—percentage gain vs. year ago)

Measured Diet Meals	321.4%
Brewed Coffee	77.3
Packaged Diet Candies	63.6
Warehoused Potato Chips & Products	57.8
Warehoused Corn Snacks	53.7
Dried Prunes	45.5
Packaged Candy Cov. Non-Chocolate	27.9

Source: Arbitron/SAMI

Food categories with highest retail dollar volume in drug stores

(Year ending 12/01/89—in millions of dollars)

Chocolate candy bars	$301.8
Measured diet meals	148.4
Formula baby food	148.0
Snack nuts	116.4
Diet misc. foods	103.3

Source: Arbitron/SAMI

H&BAs categories with highest dollar growth rates in drug stores

(Year ending 12/01/89—percentage gain vs. year ago)

Contraceptives	36.6%
Home testing kits	31.2
Thermometers*	24.4
Personal lubricants	16.9
Facial preparations	13.2
Suntan lotion-suntan oil	13.2
Razors and blades	12.2
First aid products	10.4
Hair setting needs	10.3

*12 week comparison, since two full years of data not yet available.

Source: Arbitron/SAMI

H&BA with highest retail dollar volume in drug stores

(Year ending 12/01/89—in millions of dollars)

Internal Analgesics	$814.5
Cold Remedies	653.7
Eye Care Products	508.2
Antacids	424.9
Cough Remedies	362.0
Laxatives & Stool Softeners	351.2
Shampoo	350.1
Synthetic Vitamins	334.7
Hair Coloring	290.8
Hand & Body Cream/Lotion	236.7

Source: Arbitron/SAMI

For the year ended Dec. 1, 1989, SAMI was tracking drug store movement in 162 product categories. Their annual retail volume grew 5.8 percent over the preceding year to $12.2 billion. Among these categories, 55 were food, 50 were dry grocery/non-foods, and the remaining 57 were health and beauty aids, which accounted for 68.5 percent of the total drug store universe measured by Arbitron/SAMI in drug stores.

Shelf-stable foods showed the highest annual growth rate, 14.8 percent; combined non-food sales rose 6.2 percent, and health and beauty aids advanced 4.1 percent during the 52-week span.

Forty of the 162 categories produced annual drug store sales greater than $100 million, topped by internal analgesics at $814.5 million. The food category with the most sales in drug stores was chocolate candy bars, at $301.8 million. Four other food categories topped the $100 million sales level: measured diet meals ($148.4 million), formula baby food (148.0 million), snack nuts ($116.4 million) and miscellaneous diet foods ($103.3 million). The most important brand in the miscellaneous diet foods category is Ross Laboratories' Ensure.

There were eight dry grocery/non-foods categories with drug store sales greater than $100 million in the period. Dry cell batteries, at $346.8 million, tops the list. This compares with sales of $425.8 million worth of batteries sold through food stores. Ranking second is disposable baby diapers, where the $227.6 million in drug store sales is less than 10 percent of the $2.4 billion sold through food stores.

There are 27 health and beauty aid categories among those on the SAMI roster (in both food and drug stores) where annual drug store sales exceed $100 million. In 15 of these, drug store volume is more than $200 million a year. In three, the drug store sales are higher than half a billion dollars: internal analgesics ($814.5 million), cold remedies ($653.7 million) and eye care products ($508.2 million).

The food category with the highest growth rate in drug stores was measured diet meals, which gained 321.4 percent as the result of dramatic growth for both Slim Fast and Ultra Slim Fast, which grew in tandem rather than one at the expense of the other (in both drug stores and food stores).

The food category with the highest growth rate in drug stores was measured diet meals, which gained 321.4 percent.

There were four additional food categories with 52-week growth rates in drug stores of more than 50 percent. Sales of brewed coffee grew 77.3 percent, though on a modest sales base in comparison with food store sales levels. Sales of packaged diet candies increased 63.6 percent, while volume for both warehoused potato chips and products and warehoused corn snacks rose 57.8 percent and 53.7 percent respectively.

There were nine dry grocery/non-food categories in which drug store dollar volume was 20 percent or more higher in 1989 than in 1988. At the top of the list was insect repellents, with a jump of 54 percent, followed by fireplace logs, bricks and mildew removers, each showing gains of 35-36 percent. High growth rates were also found among coffee filters, air fresheners, adult incontinence products and poly wrap.

Peak growth rates in a 52-week movement of health and beauty aid categories in drug stores were more modest than those found in the fastest-growing food and non-food categories but, in most cases, they occurred in high-volume categories. Among the 57 H&BA categories under scrutiny, the best forward progress was established in the categories of contraceptives and home testing kits, which were recently added to the SAMI roster because of their potential for high growth. Of the more established categories, facial preparations (+13.2 percent) and suntan lotions-suntan oil (+13.2 percent) enjoyed the highest expansion rates.

Bill would mandate country-of-origin mentions in advertising

WASHINGTON — Drug stores may find it difficult to promote imported merchandise if Congress enacts controversial new legislation requiring "country-of-origin" disclosures in all product advertising.

Rep. Robert Wise (D-W. Va.) introduced the measure shortly before the holiday recess and is pushing for committee hearings early this session. The bill would require retailers and other "product advertisers" to disclose the country or countries in which the component parts of a product were manufactured, as well as the country in which the product was assembled.

Ads for a hair dryer assembled in the U.S. from components made in Japan, for example, would have to include a statement such as: 'Assembled in the U.S. from Japanese parts.'

According to Wise, the majority of Americans "generally prefer domestically-made products" and will select a U.S. product over an imported one, "all things being equal." In a recent survey cited by Wise, 66 percent of the respondents said they would choose the American product over an equivalent Japanese-made product "even if it meant paying more for it." Another survey found that the number of Americans who "consciously" refused to buy foreign-made products increased from 21 percent in 1985 to 37 percent last year.

The public's partiality for products "Made in the USA" is hindered, however, because consumers "are confused and misinformed about where many products are made." Wise said. This is at least partly due to the growing proliferation of goods which are assembled in the U.S. from imported parts, he told Congress.

"As more and more finished products are made from foreign components, it becomes more difficult to discern the country of origin," he said.

Striving to stay competitive in photo biz

Chains weigh raising prices against narrowing profit margins

Drug retailers are taking another hard look at film prices after Kodak, Fuji and Polaroid announced price hikes in December.

Some feel they have to hold prices on top selling SKUs in some markets to stay competitive. Yet many can't afford to absorb more product cost in film, which is already hotly contested among trade classes.

The solution for some in 1990 will be to swallow the price hikes on top-selling film SKUs in order to maintain hot price points, while continuing to make margins on everyday prices of the broad brand assortment and private label.

"We have to be competitive, and give the customer the right price. Otherwise they won't come back. That's the number one issue," said Dick Gross, a buyer with Thrifty-White in Minnesota.

Gross said the chain will be absorbing price hikes on three or four of the top-selling Kodak films when it runs them on ad, hoping to recover profits on everyday prices. Thrifty-White has been promoting its private brand more often. Priced at about 30 percent less than brands, private label accounts for about one-third of the chain's film sales, Gross noted.

Carl's Drug in upstate New York will also have to curb some price points on top SKUs to stay competitive with discounters, whose everyday prices on top SKUs yield 10 to 12 percent margins, said buyer Bob Strange. Carl's generally prefers to take 15 percent margins on top movers, while staying below the $3.00 price point. Its Topcrest private label sells for $1.99 per box compared with Kodak at $2.99.

Not everyone feels the competitive urgency to bite the bullet on price.

"You can't swallow price increases. You have to [pass them] up to the consumer," said Ray Gentry, president of Crown Drugs in North Carolina.

"Some film went up 50 cents a roll. If [a merchant] was selling it at $2.77 a roll before, and Kodak is now charging $2.99, he's going to have to go up on his price."

Videotaping popular

Film sales at Crown have been helped by consumers' migration to 35mm photography, leading to greater sales of these higher profit SKUs. Yet, said Gentry, film sales at Crown have been impacted in part by the popularity of videos. Consumers are putting more time and money into home videotaping and less into photography, he felt.

Paul Lofgren, film buyer at Bartell Drugs on the West Coast, is another who feels little leeway in absorbing costs. "We maintain a certain margin on film, and we keep this," he said

At Fantle's around the nation's capitol, buyer Gil Kidd said that the chain has flexibility to set prices because it has a lot of inventory bought at last year's prices. The drug chain bought fairly heavily in the fall, and benefited from a 3 percent fall buy-in discount offered by Kodak, which provided a 3 percent off-invoice allowance on film multipacks.

"I will pass on all that the market will bear. I have to see what the competition will do [first]," said Kidd.

RADIUS
67
Movies and Slides

Walgreens relies on photofinishing and value pricing on film and cameras to build traffic. Department clerks also handle front-end transactions when main checklanes are crowded, as in this Chicago store.

SUPER
FREE FREE FREE
FILM DEVELOPING
LEAVE FILM HERE
Super 35
2nd SET OF 3" PRINTS
2 SETS

Overhead signage denotes this photo center in a SuperRx in Phoenix, positioned at one end of a racetrack aisle and facing the front of store for high visibility.

> 'We have to be competitive, and give the customer the right price. Otherwise they won't come back. That's the number one issue.'
> —Dick Gross, Thrifty-White

35mm rules the film roost

(Exposure volume by film format, 1988)

35mm	75.4%
110/126	15.1
Disc	7.4
Medium , large format	2.1

Source: Photo Marketing Association

Where consumers bought their latest still cameras

(Percentage *of households)*

Discount store	31.0%
Camera store	19.2
Department store	13.1
Catalog showroom	12.0
Drug store	7.6
Mail order	6.6
Combo store	2.9
Home TV shopping	0.2
One-hour photo lab	0.1
Other	6.9

Source: PMA Consumer Photographic Survey

Easy-to-use cameras drive 35mm film growth

(35mm as percent of total exposures)

1975	12.4%
1977	30
1980	34
1983	48
1987	69
1988	75.4

Source: Photo Marketing Association

Drug stores lead in photofinishing volume

(1988)

Drug	23.8%
Stand-alone minilabs	21.1
Discount stores	18.8
Supermarkets	14.1
Camera stores	10.7
Mail order	8.8
Kiosk, other	2.7

Source: Photo Marketing Association

Chains weigh pros and cons of in-store photo mini-labs

Photofinishing minilabs hold the promise of adding new dimension to a drug store. So far, chains experimenting with them are seeking ways to parallel the success of Eckerd.

Longs, Genovese, Standard, Pay Less NW, and SupeRx of Phoenix are among chains that have tested or are testing minilabs, following Eckerd, which has demonstrated how the labs can be winners.

Cameras sales peak in Christmas season

(Month of latest purchase of still camera/ percentage of households)

Jan.	2.8%
Feb.	2.8
March	2.6
April	3.8
May	4.9
June	7.2
July	7.1
Aug.	6.1
Sept.	5.1
Oct.	5.0
Nov.	8.3
Dec.	44.3

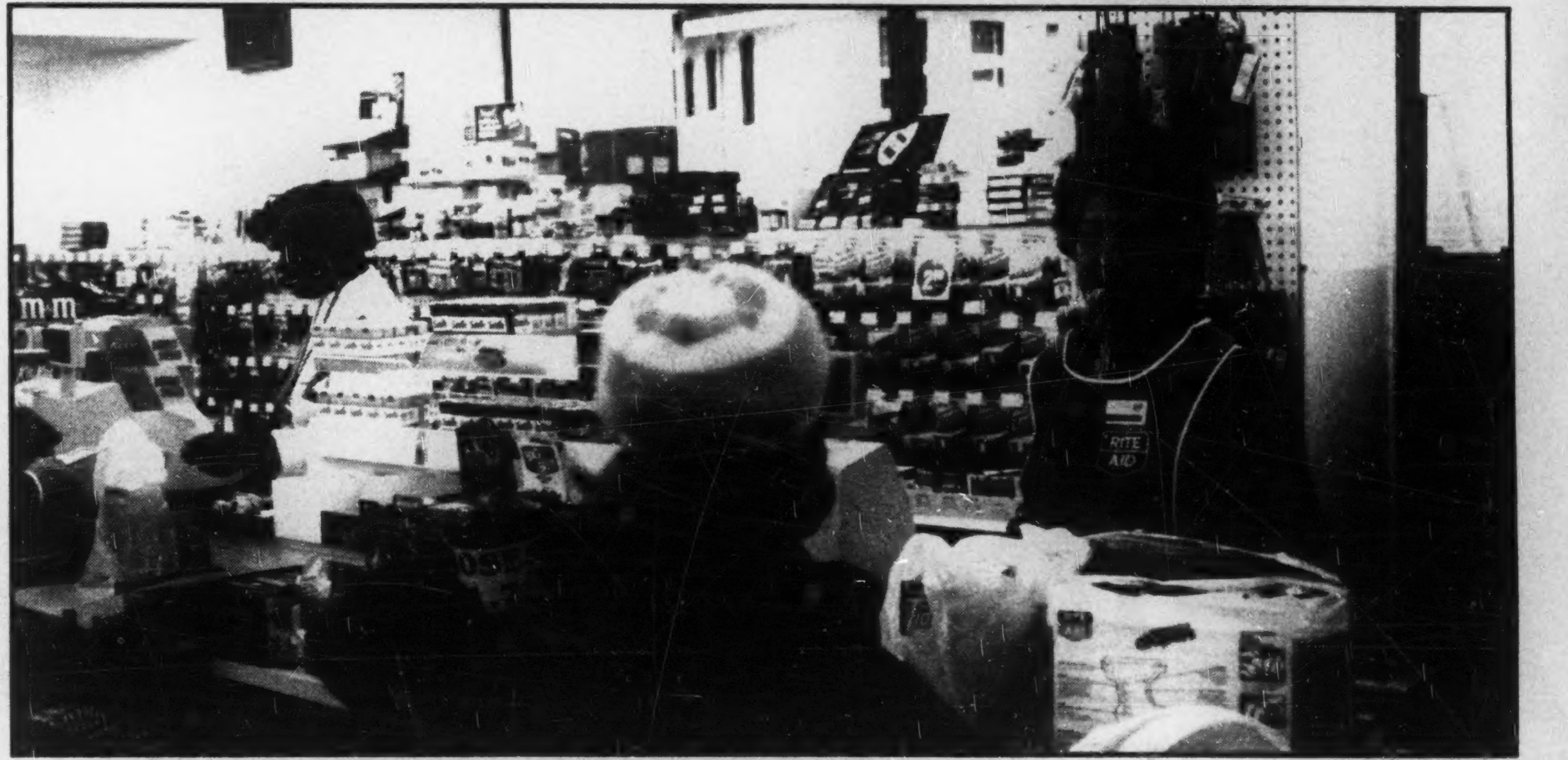
Source: Consumer Photographic Survey, Photo Marketing Association.

Yet no drug chain besides Eckerd has launched a major commitment to the technology, although an in-store lab has the potential to enhance a chain's image in the photo business. Maintaining trained staff and complex equipment, and investing to build the business, are all necessary, chain merchants told *Drug Store News*. One chain, for example, found that store managers trained in the technology were forced to spend too much time running the equipment when assigned staff was absent.

Expanding minilabs

None of this has slowed down Eckerd. The chain now operates 130 minilabs throughout Texas and Florida, and has used minilabs strategically to carefully cultivate its image as a film processor. The chain advertises its labs extensively as being "extensions of" its captive out-lab service. The labs occupy dominant front-of-store positions and feature high-profile, distinctive fixturing as part of a total film/photo presentation.

This view, of course, is not universally held by chain drug retailers. "Photofinishing [using a wholesaler] is a very, very profitable business. There's no inventory, large margins, and the liability is with the outlab. When you go into minilabs, you take all that on yourself," notes one chain executive.


Rite Aid exposes customers to its film promotions twice—first in newspaper ads, and then on shelf tags by the pegged film display, as in this Washington, D.C. store.

He sees similarities between minilabs and video rentals, in that drug chains must compete with specialty outlets which can sometimes be more conveniently located and offer quicker in-and-out shopping visits. Despite such concerns, drug chains aren't far apart from other mass market outlets in using minilabs, which are processing more of consumers' film, according to the Photo Marketing Association.

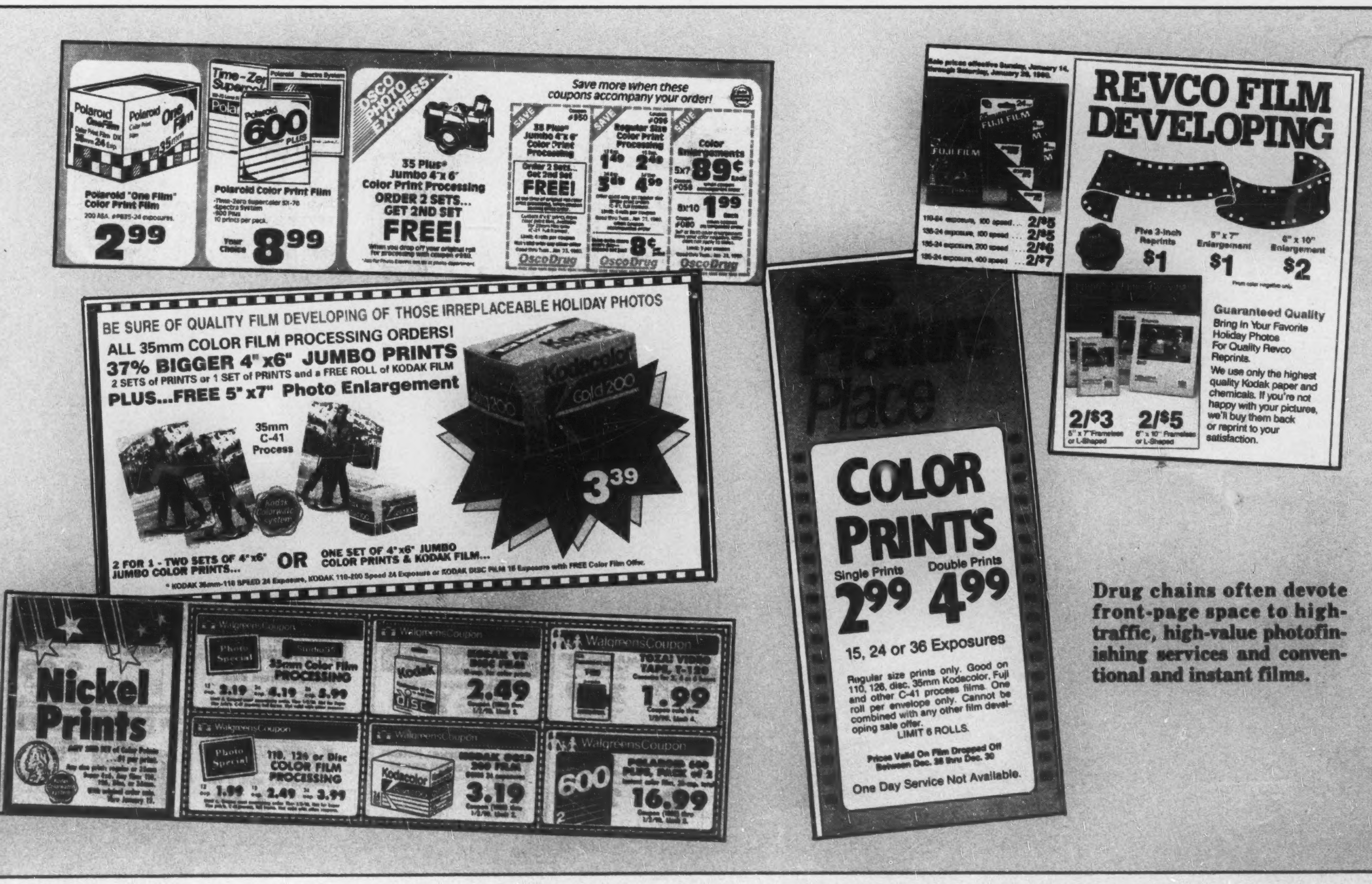
Statistics on processing

Last year, 30.4 percent of consumers' film rolls were processed through minilabs. That included 3.9 percent through drug store minilabs, 3.7 percent through minilabs in supermarkets, and 6.2 percent through discount store minilabs, the PMA reported.

Both Genovese and Standard have experimented with labs in two stores this past year. Standard might open a third lab in a Richmond store this year, said Rich Lazenby, merchandise manager.

Genovese plans to revamp its two minilabs, replacing common drug store fixtures with a more distinctive set up that will include more counter space, signage and colors, and develop a film/photo department approach around the labs, said Dave Reynolds, director of photofinishing.

Front-page ads stir interest in photofinishing services, film


Polaroid "One Film" Color Print Film
200 ASA. #PB35-24 exposures.
2.99

Polaroid Color Print Film
-Time-Zero Supercolor SX-70
-Spectra System
-600 Plus
10 prints per pack.
Your Choice 8.99

OSCO PHOTO EXPRESS
35 Plus® Jumbo 4"x 6" Color Print Processing
ORDER 2 SETS... GET 2ND SET FREE!

Save more when these coupons accompany your order!

SAVE
35 Plus® Jumbo 4"x 6" Color Print Processing
Order 2 Sets... Get 2nd Set FREE!
OscoDrug

SAVE
Regular Size Color Print Processing
1.49 2.49 3.49 4.99
8¢
OscoDrug

SAVE
Color Enlargements
5x7 89¢ each
8x10 1.99 each
OscoDrug

BE SURE OF QUALITY FILM DEVELOPING OF THOSE IRREPLACEABLE HOLIDAY PHOTOS

ALL 35mm COLOR FILM PROCESSING ORDERS!

37% BIGGER 4"x6" JUMBO PRINTS

2 SETS of PRINTS or 1 SET of PRINTS and a FREE ROLL of KODAK FILM

PLUS...FREE 5"x7" Photo Enlargement

35mm C-41 Process

3.39

2 FOR 1 - TWO SETS OF 4"x6" JUMBO COLOR PRINTS... OR ONE SET OF 4"x6" JUMBO COLOR PRINTS & KODAK FILM...

* KODAK 35mm-110 SPEED 24 Exposure, KODAK 110-200 Speed 24 Exposure or KODAK DISC FILM 15 Exposure with FREE Color Film Offer.

Nickel Prints

WalgreensCoupon
Photo Special
35mm Color Film PROCESSING
2.19 4.19 5.99

WalgreensCoupon
2.49

WalgreensCoupon
1.99

WalgreensCoupon
Photo Special
110, 126 or Disc COLOR FILM PROCESSING
1.99 2.49 3.99

WalgreensCoupon
3.19

WalgreensCoupon
16.99

110-24 exposure, 100 speed ... 2/$5
135-24 exposure, 100 speed ... 2/$5
135-24 exposure, 200 speed ... 2/$6
135-24 exposure, 400 speed ... 2/$7

REVCO FILM DEVELOPING

Five 3-inch Reprints $1
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Guaranteed Quality
Bring In Your Favorite Holiday Photos For Quality Revco Reprints.
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2/$3
5" x 7" Frameless or L-Shaped

2/$5
8" x 10" Frameless or L-Shaped

Place

COLOR PRINTS
Single Prints 2.99
Double Prints 4.99
15, 24 or 36 Exposures
Regular size prints only. Good on 110, 126, disc, 35mm Kodacolor, Fuji and other C-41 process films. One roll per envelope only. Cannot be combined with any other film developing sale offer.
LIMIT 6 ROLLS.
Prices Valid On Film Dropped Off Between Dec. 26 thru Dec. 30
One Day Service Not Available.

Drug chains often devote front-page space to high-traffic, high-value photofinishing services and conventional and instant films.

FINANCIAL

No matter who's at NI's helm, FoxMeyer runs steadily: analysts

PITTSBURGH — A move by miffed stockholders to remake the board of directors of National Intergroup is unlikely to hasten the FoxMeyer division's steady effort to attain industry performance standards, in the view of some retail analysts.

Assuming that Centaur Partners Group succeeds with a proxy vote to restack the board, it should have no more success than current management in disposing assets and improving FoxMeyer operations, analysts felt.

In response to Centaur's filing of a 13-D form, NI said that Centaur can add nothing to its ongoing business refocusing. Indeed, NI spokesman Ed Klein says that NI has slashed long-term debt by half the past year, cut headquarters staff by 50 percent, and looks for a strong profit increase from its FoxMeyer division in fiscal 1990.

The drug wholesaler, despite modest gains in the third quarter, continued to post weak results and, with an operating margin of just over 1 percent, compared poorly with the industry's 2.5 percent average. To report significant profit improvements, NI relied on special charges.

"I'm not sure that a new management would do discernibly better. This is not an opportune time to sell any of the key divisions of National Intergroup," said John Tumazos, an analyst with Donaldson, Lufkin and Jenrette, referring to NI's effort to sell its steel and aluminum businesses.

Centaur declared it owns 16.53 percent of shares and will seek shareholder endorsement to increase the number of directors from 12 to 15 to gain a majority of the board. The group's 13-D said it believes that a higher value can be most quickly realized by selling some or all of the assets.

Aldo Mazzaferro, analyst at C.J. Lawrence, pegged NI's breakup value at $26 a share. NI closed at $16 Feb. 2 on the New York Stock Exchange, and has climbed only up to $20.25 in the last 52 weeks. The drug company, Mazzaferro estimates, could fetch $490 million, without buying debt. At 20 percent of its revenue base, that's "a pretty reasonable value," he said.

NI reported third quarter and nine month profits that were inflated by special charges, tax-loss carry forwards, and non-cash-generating equity earnings. Net income for the third quarter was $30.7 million on sales of $717.7 million. That compares with a $22.5 million net in last year's quarter on sales of $667.5 million. Before special charges, NI posted a $13 million loss.

FoxMeyer Drug Co. operating income before goodwill in the third quarter was $7 million on sales of $622.1 million, compared with $5.8 million profit on sales of $569.8 million in last year's third quarter.

"The numbers have shown modest improvement, but nothing like you would need [to stay competitive]," said Mazzaferro.

Hikes in 1st-qtr. net, sales at Med Shoppe

ST. LOUIS — Net earnings increased 20 percent, to $2.0 million, for Medicine Shoppe's 1st quarter ended Dec. 31. Sales reported by franchised pharmacies increased 18 percent, to $122.7 million, and franchise fees increased 19 percent for the quarter.

Higher 2nd-qtr. results are posted by Staples

NEWTON, Mass. — Centralized distribution and high in-stock levels helped Staples, Inc. post higher sales and earnings during its second quarter, and contributed to double-digit comparable store sales gains, the company said.

For the quarter, Staples earned $1.5 million on sales of $49.4 million. The earnings include a $500,000 credit for a net operating loss carry-forward, and compare to a $1.5 million loss for the same period last year. The sales figures are 75.5 percent higher than last year's $28.2 million.

Thomas G. Stemberg, chairman and ceo, noted that the chain's centralized distribution has helped control shrink, labor, freight and administrative expenses and reduced goods' cost. A "closed-loop direct marketing system" has affected marketing efficiencies and helped the chain gain share in competitive markets, he added.

MARKET DIARY:

Largest Dollar Gainer	Warner-Lambert	$ 2.63
Largest Dollar Loser	Bolar Pharmaceutical	$– 6.00
Largest Percentage Gainer	Leroy Pharmacies	25.71%
Largest Percentage Loser	Bolar Pharmaceutical	–35.82%

Advances	6
Declines	28
Unchanged	10
New highs	1
New lows	10

	Close 1/23/90	Close 2/5/90	Net Change	Percent Change
Drug Store News Index	2824.26	2770.54	–53.72	–1.90
Dow Jones Industrial Average	2615.32	2622.52	7.20	0.28
Standard & Poor's 500-Stock Index	331.61	331.85	0.24	0.07
N.Y.S.E. Composite	183.60	183.35	– 0.25	–0.14
Value Line Index	244.58	241.19	– 3.39	–1.39

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 1/23/90	Closing Price 2/5/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	21.00	19.75	–1.25	– 5.95	19	0.16	0.81	24.75	10.38
OTC	Big B	BIGB	12.63	12.63	0.00	0.00	18	0.16	1.27	15.25	10.63
OTC	Drug Emporium	DEMP	8.75	8.25	–0.50	– 5.71	13	0.20	2.42	16.38	7.75
NYS	Fay's Inc. (L)	FAY	10.13	8.50	–1.63	–16.05	11	0.20	2.35	15.00	8.13
ASE	Genovese Drug	GDX.A	9.75	9.50	–0.25	– 2.56	13	0.24	2.53	12.88	9.50
OTC	Leroy Pharmacies (H)	LERY	4.38	5.50	1.13	25.71	– 42	0.00	0.00	5.50	2.88
NYS	Longs Drug Stores	LDG	42.00	42.00	0.00	0.00	14	0.96	2.29	48.50	34.50
OTC	Medicine Shoppe	MSII	21.50	20.00	–1.50	– 6.98	21	0.16	0.80	23.25	16.38
NYS	Perry Drug (L)	PDS	8.25	7.75	–0.50	– 6.06	11	0.00	0.00	13.50	7.38
NYS	Rite Aid Corp.	RAD	31.38	32.63	1.25	3.98	16	0.88	2.70	41.13	29.50
NYS	Walgreen Co.	WAG	41.88	42.25	0.38	0.90	17	0.80	1.89	50.25	34.25
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	22.50	22.38	–0.13	– 0.56	13	0.32	1.43	27.25	19.63
OTC	Bindley Western Ind.	BIND	10.13	9.88	–0.25	– 2.47	16	0.00	0.00	10.75	7.00
OTC	Cardinal Distribution	CDIC	20.50	20.75	0.25	1.22	16	0.08	0.39	25.00	14.38
OTC	Durr-Fillauer	DUFM	21.75	20.00	–1.75	– 8.05	13	0.24	1.20	24.38	18.00
ASE	Ketchum	KCH	3.00	2.88	–0.13	– 4.17	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	35.63	36.63	1.00	2.81	15	1.44	3.93	39.75	29.63
ASE	Moore Medical	MMD	9.00	8.38	–0.63	– 6.94	– 3	0.00	0.00	15.13	8.25
NYS	Owens & Minor (L)	OMI	11.63	10.75	–0.88	– 7.53	20	0.24	2.23	15.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	66.00	65.50	–0.50	– 0.76	17	1.40	2.14	70.38	48.13
NYS	American Home Products	AHP	104.25	104.25	0.00	0.00	15	4.28	4.11	110.25	84.13
NYS	Baxter International	BAX	23.75	23.38	–0.38	– 1.58	16	0.56	2.40	26.25	18.50
OTC	Block Drugs Co.	BLOCA	35.00	35.00	0.00	0.00	14	0.68	1.94	38.00	30.63
ASE	Bolar Pharmaceutical (L)	BLR	16.75	10.75	–6.00	–35.82	6	0.16	1.49	32.25	10.75
NYS	Bristol-Myers Squibb	BMY	53.13	52.75	–0.38	– 0.71	37	2.12	4.02	58.25	44.50
NYS	Carter-Wallace	CAR	55.00	55.00	0.00	0.00	17	0.80	1.45	60.50	39.13
ASE	Forest Labs	FRX	41.50	40.75	–0.75	– 1.81	30	0.00	0.00	44.50	26.25
NYS	ICN Pharmaceutical (L)	ICN	5.00	5.00	0.00	0.00	– 24	0.00	0.00	7.00	4.63
ASE	Lee Pharmaceutical (L)	LPH	1.88	1.88	0.00	0.00	– 9	0.00	0.00	5.38	1.75
ASE	P. Leiner Nutrition (L)	PLI	9.75	9.13	–0.63	– 6.41	14	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	64.13	64.25	0.13	0.19	20	1.64	2.55	69.25	45.88
NYS	Marion Labs	MKC	27.38	25.88	–1.50	– 5.48	108	0.36	1.39	36.63	22.00
NYS	Merck Co.	MRK	71.88	72.00	0.13	0.17	19	1.80	2.50	80.75	61.25
NYS	Mylan Labs	MYL	19.75	20.00	0.25	1.27	36	0.20	1.00	25.38	7.50
NYS	Par Pharmaceutical	PRX	7.88	7.00	–0.88	–11.11	19	0.00	0.00	11.38	3.88
NYS	Pfizer Inc.	PFE	68.50	69.25	0.75	1.09	16	2.40	3.47	75.75	54.00
NYS	Rorer Group	ROR	61.50	61.00	–0.50	– 0.81	23	0.84	1.38	64.63	36.13
NYS	Schering Plough	SGP	80.50	80.88	0.38	0.47	19	1.80	2.23	87.50	59.25
NYS	Syntex Corp.	SYN	49.75	50.25	0.50	1.01	18	1.48	2.95	54.50	36.50
OTC	Taro-Vit Industries (L)	TAROF	1.13	1.00	–0.13	–11.11	33	0.00	0.00	1.88	1.00
NYS	Upjohn Co.	UPJ	35.25	36.88	1.63	4.61	39	1.00	2.71	42.13	27.63
NYS	Warner-Lambert	WLA	108.75	111.38	2.63	2.41	18	3.04	2.73	118.75	77.38
NYS	Zenith Labs	ZEN	0.19	0.19	0.00	0.00	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	53.25	53.25	0.00	0.00	19	0.80	1.50	60.25	38.63
NYS	American Stores	ASC	58.25	57.75	–0.50	– 0.86	24	1.00	1.73	72.50	53.00
NYS	Giant Food	GFS.A	26.25	26.25	0.00	0.00	15	0.48	1.83	36.25	22.13
NYS	Great Atlantic&Pacific Tea	GAP	56.25	52.00	–4.25	– 7.56	0	0.00	0.00	65.38	47.00
NYS	K mart (L)	KM	33.88	34.25	0.38	1.11	9	1.64	4.79	44.88	32.38
NYS	Kroger	KR	13.13	13.25	0.13	0.95	– 7	0.00	0.00	19.75	9.00
NYS	Melville Corp.	MES	43.75	44.00	0.25	0.57	13	1.40	3.18	53.63	39.00
OTC	Fred Meyer (L)	MEYR	17.25	17.00	–0.25	– 1.45	13	0.00	0.00	23.00	15.25
NYS	Penney, JC	JCP	67.25	66.00	–1.25	– 1.86	10	2.24	3.39	75.63	50.75
NYS	Smith's Food & Drug	SFD	23.75	23.50	–0.25	– 1.05	20	0.28	1.19	25.38	20.50
NYS	Wal-Mart	WMT	42.38	41.75	–0.63	– 1.47	24	0.20	0.48	47.38	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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California Lottery regional insert appears between pp. 44-45.

C5150-2

DRUG STORE NEWS®

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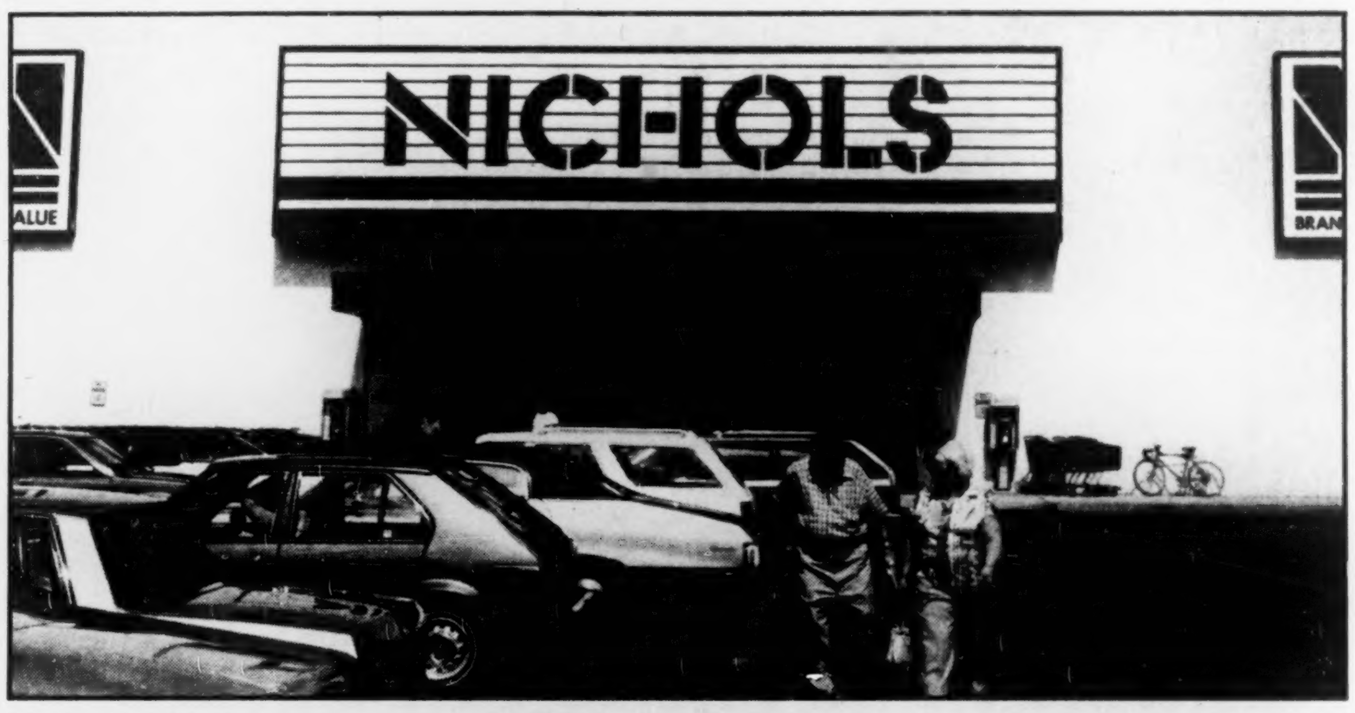
BETHESDA MD 20814

Nichols dives into deep discounting



Nichols will change from a discount format to a deep discount drug chain and will be renamed Pharmhouse. The transition is expected to take place in April.

NEW YORK — Taking a new tack, S.E. Nichols, Inc. said it will remake its discount stores into deep discount drug stores.

It will be the first deep discount drug chain created through a conversion from another retail format. Called "Pharmhouse," it will be among the six or seven largest deep discount drug chains.

With stores in rural markets in New York, Pennsylvania, Virginia, Maryland and Delaware, Pharmhouse's toughest hurdle might be educating the consumer on the new health care and pharmacy slant, and putting over a consistent image. About half the Nichols stores have had pharmacies which will now be rolled out chainwide.

"We have a very good pharmacy operation. It's been a growing part of the business," said James Herlihy, sr. vp.-finance.

Said Herlihy: "We're looking to build a significant chain," referring to store roll-out plans after the new format proves itself. The first Pharmhouse will open in an ~~unnamed New~~ York State market in April.

Nichols should complete the conversion of it stores—known now as Nichols Discount City—by October. A handful of 34 stores might be closed, Herlihy said.

The New York City-based company threw in the towel on the discount store business after sustaining several years of operating losses competing

See **Nichols** *page 45*

Giant tests 'bonus buy' promo, cuts cosmetics

By Elizabeth Parks

LANDOVER, Md. — Giant Food, the ranking food chain in the Greater Washington market, is testing and is prepared to expand a new discounting program featuring super low "bonus buy" prices on large sizes of the most popular toiletries.

The program, which one Giant executive described as "super deals," has been in test for about six weeks in approximately seven stores in the metro D.C. market.

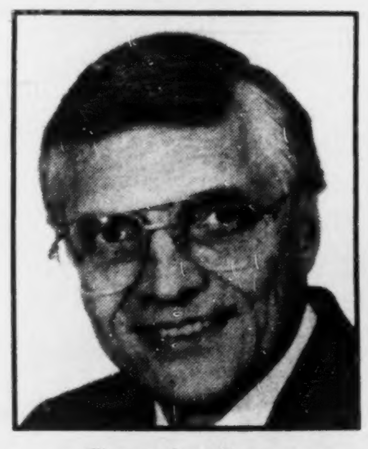
Giant's director of public affairs, Barry Scher, says Giant will only roll out the Bonus Buy program if this test is successful.

At press time, however, one well-informed source said Giant hopes to have the program in at least 41 of its approximately 100 combination stores by the end of June. All combination stores should have it within a year, this source said.

Space for the department is coming from Giant's

See **Giant** *page 45*

Hook names veteran executive to top post



Cunningham

INDIANAPOLIS — Thomas Cunningham, a 30-year Hook Drug veteran who most recently served as vp-operations, has been named president of the chain, succeeding Newell Hall, 58, who is retiring.

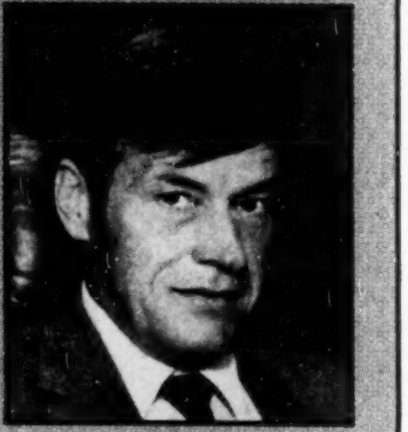
Hall had taken on the top post at Hook three years ago, when former president Douglas Reeves left the company. Though Hook Drug has just named its third president in four years, that's no hint of corporate unhappiness with Hook's performance or of instability at the top, according to sources.

In fact, sources say, Hook's 388 drug stores (and 30 home health stores) have been impressive cash contributors to Hook-SupeRx, Inc., the corporate parent,

See **Hooks** *page 45*

Eck joins Vons; move signals big plans for drug biz

By James Frederick



Eck

EL MONTE, Calif. — Chain drug and supermarket veteran Dennis Eck has left American Stores to become vice chairman and chief operating officer of The Vons Companies, effective Feb. 14. His departure marks a management reorganization at both companies.

Eck's appointment to Vons signals that company's desire to strengthen the pharmacy and drug store side of its business. The chain currently operates 328 stores under the Vons, Pavilions, Pavilions Place and Tianguis logos, including 74 Vons food/drug combos. All new stores—as well as all 43 of its Pavilions and Tianguis units—include pharmacies, and the chain is adding new pharmacies as it remodels older units.

"Dennis Eck brings to Vons extensive experience in the drug store business, more than either of our other two top officers, and that's a big plus for us at this point because we're stressing combos in our growth plans," said Mary McAboy, Vons director of investor relations. "I can't imagine a circumstance where we'd open a non-combo store at this point."

Eck, 47, last served as chairman, chief executive and

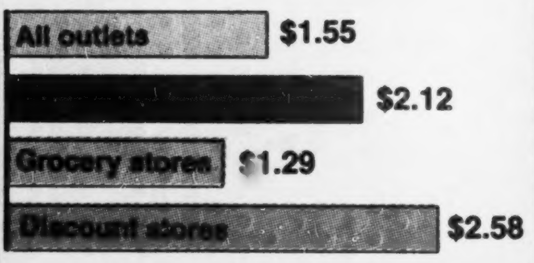
See **Eck** *page 45*

TOP OF WEEK FEATURES

Hair care merchandising

Organizing hair care planograms by full lines instead of category is catching on in major drug chains. Page 27.

Average dollars spent per item purchased per shopping trip



Source: Nielsen Marketing Research

Nielsen looks at consumer behavior

Nielsen's SCANTRACK technology provides insight into consumer buying behavior in 15,000 households. Page 8.

LATE NEWS

- OAK BROOK, Ill. — Dick Boyd resigned as senior vp-pharmacy operations of American Drug Stores to pursue other interests. The former Longs executive returned to his home in Walnut Creek, Calif., shortly after a move by American to consolidate headquarters operations in Oak Brook. Two other executives, president Terry Hanson and vp-administration Alan Barker, have also left in recent months.

- WALNUT CREEK Calif. — Longs Drug Stores' sales rose 9.6 percent to $2.1 billion for the year ended Jan. 25, while net income was up 9.7 percent to $61.8 million, or $3.01 per share.

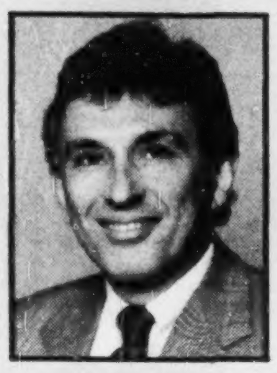
- YOUNGSTOWN, Ohio — Phar-Mor signed a lease for its first Phoenix store in the Metro Center Mall, one of two slated to open there this year. Its first Kansas City store opened Jan. 17, and the first St. Louis store Feb. 22.

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Kole to help shape Concord's growth


Kole

PONTIAC, Mich. — Perry Drug Stores veteran Mickey Kole has joined 10-store Concord-Wrigley Drugs as president, and will help lead the chain on a more aggressive growth path, according to Concord ceo Alan Stotsky.

Kole left Perry in January 1988 after a long career with the Pontiac-based chain. His last position was drug store division president.

Since then, he has served as president of National Wholesale Drug of Taylor, Mich., and as a consultant to Concord.

Genovese buys nursing home supplier

MELVILLE, NY — Genovese Drug said it has become a major supplier of pharmaceuticals to nursing homes on Long Island with the purchase by its Genrex Nursing Homes Services division of the Bell and Halpern Nursing Home Company. Herb Kett, sr. vice president, said Genrex now services over 50 facilities.

McK, PCS sued over share acquisition

SAN FRANCISCO — McKesson Corp. and directors of PCS have been named defendants in a class action lawsuit relating to McKesson's proposal to acquire PCS's publicly held shares for $15 per share, the companies announced. The suit alleges, among other things, that McKesson's proposed price is inadequate and seeks to enjoin McKesson's proposal and to collect damages.

PCS's financial and legal advisers and a special committee appointed by its board are evaluating McKesson's proposal. The lawsuit has been referred to legal counsel for review and response.

Arbor expands further into Detroit

DETROIT, Mich. — Arbor Drugs is pushing further into Detroit. The Troy-based chain planned to open its 93rd store and fourth Detroit store on Feb. 17 at Campbell and Vernor streets. Arbor said its signed a lease for a fifth store, and is negotiating with developers for additional sites in the city.

Pulido exits FoxMeyer

MINNEAPOLIS — Mark Pulido has left FoxMeyer Drug Co. where he was most recently executive vice president to become president and chief operating officer at Red Line Medical Supply.

Red Line, a private company, is the country's largest distributor of products and services to nursing homes in 50 states.

Pulido's task at Red Line will be to develop key strategies to promote growth and profits.

McK hosts July show in San Francisco

SAN FRANCISCO — McKesson will hold its 1990 trade show in its headquarters' city here July 13 through 21, and expects more than 2,000 customers to attend the event.

This year's show, being held at the San Francisco Marriott with a "Gold Rush" theme, will include products from 500 vendors, continuing education classes, and new services and programs from Valu-Rite, McKesson Home Health Care, 3PM and McKesson Pharmacy Design.

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Safeway goes public again after 3-year turnaround

OAKLAND, Calif. — Three-and-a-half years after a debt-laden management buyout, a leaner and healthier Safeway Stores, Inc. is planning to again go public. The move caps a successful effort by the company to cut its massive debt load, concentrate on its most strategic core markets and improve profitability.

Safeway has filed with the Securities and Exchange Commission to offer 10 million shares of common stock on the New York Stock Exchange, at an expected initial offering price of $13 to $16 a share. Safeway said it will use the proceeds to help fund its planned $3.2 billion capital spending program from 1990 through 1994.

The earnings jump reflects Safeway's success in turning its $4.3 billion leveraged buyout in 1986 into a success story.

Fiscal results

Safeway announced its plans on the same day it released results for its latest fiscal year, in which operating profit jumped 42 percent to a record $463 million on sales of $14.3 billion. Same-store sales for the year were up a robust 5.5 percent, and margins continued to show improvement as a result of "continued better buying practices and the addition of more specialty departments" in stores, according to a spokesman.

The earnings jump reflects Safeway's success in turning its $4.3 billion leveraged buyout in 1986 into a success story. The management-led buyout left Safeway staggering under a huge and pressing debt burden, and triggered a massive downsizing program as it sold off stores around the country to cut debt payments and operating costs.

"It doesn't take an MBA to figure out that a company which had just earned a profit of $231 million could not service debt of $5.7 billion," Safeway chairman Peter Magowan said last year.

Downsizing results

The downsizing took Safeway out of most of its major markets east of California, and reduced its store count by almost half, from more than 2,200 units to 1,117 stores located primarily in the western U.S., the Mid-Atlantic region and western Canada. Among major Safeway assets to go were its southern California stores, to Vons; its Houston and Kansas City store divisions, to local management LBOs; and its 60 Salt Lake City units, to Borman's. Safeway also shed its store divisions in El Paso, Dallas, Little Rock, Ark., and other markets.

In the process, however, Safeway raised enough money from the sales to cut its debt to $3.1 billion from $5.6 billion in 1986, and shed many stores where profits were low and labor union headaches high. The asset sales also enabled the company to concentrate its resources on a few core markets, where it has been able to clean up and remodel stores, raise prices to boost margins and cash flow, and boost capital spending to improve its market share.

Thus, Safeway now makes more in profits on a $14 billion sales base than it did on a pre-LBO base of $20 billion, when its store count was nearly twice as large. In addition, return on assets has gone from 13.5 percent to more than 20 percent; all divisions are "highly profitable," according to Magowan, and the chain now ranks first or second in all its remaining markets.

"The LBO process itself caused us to transform the company into a truly excellent one," Magowan said last year. "The discipline of paying down the enormous debt we owed forced us to set high hurdle rates for performance and new capital spending."

In addition, the chairman said, "The transformation of our operators from being managers to being co-owners of the business may have been the most powerful stimulus of all."

Retail analysts who follow Safeway also rate it one of the more successful LBOs. "Safeway is an LBO that's really worked," said Jonathan Ziegler of Sutro & Co.

"Safeway has come back to profitability quite nicely," added Kimberly Walin of Prudential-Bache.

Safeway raised enough money from the sales to cut its debt to $3.1 billion from $5.6 billion in 1986, and shed many stores where profits were low.

The pending stock sale is expected to raise at least $1.3 billion. Such a sum would be a bonanza for the original LBO investors, including Kohlberg Kravis Roberts & Co., the investment banking firm. KKR and other investors, including company insiders, originally invested roughly $175 million in equity to take the chain private, and stand to reap huge rewards if Wall Street supports the $13 to $16 price tag for the stock.

NACDS conference tackles '90's issues

SAN ANTONIO, Texas — "Sell more drugs, have more fun," was the fevered chant heard at a conference last month at the Marriott Rivercenter Hotel here.

No, it wasn't members of Colombia's Medellin cocaine cartel, but chain drug retailers attending NACDS's annual Small Chain Conference for companies with less than 50 stores and sales under $100 million.

The retailers were being stirred up by Frank Meeks, franchise owner of more than 35 Domino's Pizza outlets, including six of the top 10 stores in the world.

Meeks spoke of his success retaining both customers and employees, an issue that many drug retailers are grappling with. Meeks runs monthly managers meetings like pep rallies and frat parties, and the chant he introduced to the retailers was a variation of his "sell more pizza, have more fun" rap that he leads at these

Continued on page 41

Rick Zapp, president of Ralston Drug in Houston, chats with Bill Eames, chairman and ceo of Bill's Drugs in Benicia, Calif., and Don Zapp, Ralston's chairman.

SCANTRACK data released:

Nielsen looks at consumer behavior

Nielsen Marketing Research in January marked the first anniversary of its SCANTRACK National Household Electronic Panel, a service that electronically measures consumer purchasing behavior across the country.

The Nielsen panel encompasses 15,000 households in 1,140 counties. The size of the sample means the information gathered is projectable on both a national and regional basis.

In the first year of data collection the Nielsen research service recorded information on more than 1 million shopping trips, 41 percent of which took place in nonfoods outlets, such as drug stores.

The information on purchasing behavior is recorded by household panel members themselves. After every shopping trip, the person who made the purchases uses a handheld electronic device with a wand scanner to record information such as the name of the store, items purchased, price of the items, age and sex of the shopper, and other variables. The identity of each purchase is recorded by passing the wand over the UPC bar code on the package. Once a week the information is transmitted electronically via telephone to Nielsen.

Of the 15,000 households, 5,000 in 23 major markets are metered for television viewing, which allows Nielsen to measure the impact of TV advertising on brand choice.

The charts on this page are drawn from a year's worth of data from its SCANTRACK service.

Drug store shopping for selected product categories

	% of shopping trips	% of dollars spent
Monday	14.0%	13.7%
Tuesday	13.7	13.1
Wednesday	14.1	13.8
Thursday	15.1	14.6
Friday	15.1	15.1
Saturday	16.8	17.8
Sunday	11.1	11.8

Source: Nielsen Marketing Research

Percentage of dollars spent

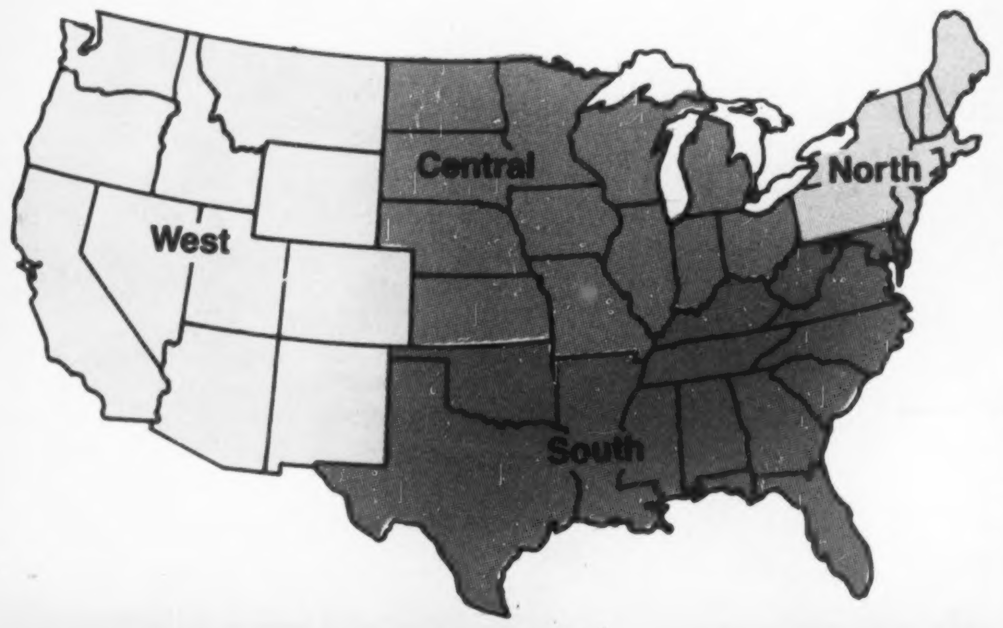
	All outlets	Drug stores	Index
Occupation			
Professional	32.9%	32.8%	100
White collar	11.8	13.4	114
Blue collar	31.2	24.6	79
Not in work force	24.1	29.2	121
Female employment			
Employed	53.8%	52.0%	97
Full-time	37.3	38.3	103
Part-time	16.6	13.6	82
Not employed	40.2	40.7	101

Source: Nielsen Marketing Research

Percentage of dollars spent

	All outlets	Drug stores	Index
All buyers	100.0%	100.0%	
Household size			
1	15.5%	20.9%	139
2	30.4	36.2	119
3-4	39.6	33.3	84
5+	14.9	9.6	64
Income			
>$2K	15.9%	17.3%	109
$12-25	26.4	27.7	105
$25-40	23.9	22.7	95
$40K+	33.7	32.3	96
Age of homemaker			
>35	30.1%	24.9%	83
35-44	25.6	24.0	94
45-54	15.9	15.1	95
55-64	13.9	16.8	121
65+	8.5	11.9	140
Presence of children			
None >18	54.4%	65.6%	121
Any >18	45.6	34.4	75
Any >6	20.0	13.8	69
Any 6-12	25.7	18.2	71
Any 13-17	17.9	14.1	79

Regional: Drug store customers & dollars spent



Census region	% of U.S. households	% of drug store Buyers	% of drug store Dollars	Index Buyers	Index $
North	21.1%	21.8%	21.0%	103	100
Central	24.7	23.3	24.3	94	98
South	34.3	34.7	28.1	101	82
West	19.8	20.2	26.6	102	134

Source: Nielsen Marketing Research

Items and dollars per shopping trip

	Items* per shopping trip	Dollars per item	Dollars per shopping trip
All outlets	12.1	$1.55	$18.70
Drug stores	4.9	2.12	10.40
Grocery stores	15.9	1.29	20.50
Discount stores	7.1	2.58	18.30

*UPC-coded items only

Source: Nielsen Marketing Research

Distribution of drug store dollars spent: Selected product categories

	Total U.S.	Census region North	Census region Central	Census region South	Census region West
Dry grocery	13%	12%	14%	11%	16%
Frozen foods	1	*	1	1	1
Dairy	1	*	1	1	1
Beverages	15	6	17	16	18
Household	13	11	13	12	15
H&BAs	57	70	54	59	48
Pet foods	1	1	1	*	3

*less than 1 percent

Source: Nielsen Marketing Research

BEAUTY TRENDS

Hair care merchandising's a FAMILY AFFAIR

Organizing hair care planograms by full lines instead of by category is catching on in major drug chains.

By Elizabeth Parks

Peoples Drug has become one of the first major drug chains to begin merchandising all major hair care lines by family rather than category segment. The new planogram was implemented in January; it presents all Flex together, all Studio Line together, all Salon Selectives together, and so on.

"We did it because we felt it was the most logical way for consumers to shop," said Vicki Williams, vp-cosmetics at Peoples.

"I think this is the way consumers buy hair care products. The way we were merchandising hair care was a hodgepodge. Shampoos and conditioners were in one place, gels and mousses were in another place and hair sprays were somewhere else. But people don't shop hair care by department, they shop by brands," she added.

In Detroit, Perry Drug has just begun to test a family set for hair care. It is presenting families by blocks, just as they do in their new skin care set. The test, which began in January, is limited to three semiprofessional lines, all located in the mass hair care set in the higher-priced segment of the planogram.

Perry has organized the Jhirmack, Salon Selectives and Redmond Aussie products as family lines. Everything is merchandised by family from shampoos to styling aids.

Scott Gorley, assistant vp for H&BA marketing/merchandising at Perry, said the test will probably last about six months, and when it ends Perry should know whether this approach has lost sales or created incremental sales. Gorley thinks it will probably grow sales, because people should find it easier to shop for companion products.

This year, many buyers say they expect hair care sales to go up, but not dramatically. In the past year, category growth for most chains seemed to be hovering between 4 percent and 7 percent on average.

Some sources say they've seen their growth in hot categories like styling aids and professional or semi-professional products slow down considerably, as these segments approach what may be their maturity. But these are still the fastest growing segments in hair, buyers say, up between 8 percent and 10 percent on the average. A few years ago, however, they were generating more dramatic growth.

This year, many buyers

Continued on page 28

Chain drug stores versus independents: Comparison of hair care growth and share of sales by segment

(Sales in millions of dollars, for the 10 months ended Oct. '89)

	Chain sales	% chng	Chain share	Indy sales	% chng	Indy share
After shampoo	$ 243.3	5.9%	86%	$ 33.4	(16.9)%	14%
Shampoo	280.7	10.6	82	61.3	(11.5)	18
Hair color	222.2	6.9	87	31.9	(7.7)	13
Fixatives	141.1	2.7	85	24.3	(15.9)	15
Ethnic	123.9	5.7	89	15.3	(15.8)	11
Men's hair preps	36.0	2.8	82	7.8	(15.3)	18
Perms/waves	46.9	3.9	86	7.5	(15.4)	14
Mousse	32.7	(4.3)	85	5.8	(23.6)	15
Total hair care	1,093.0	7.2	85	187.5	(13.6)	15

Source: Nielsen Marketing Research

> *'I think this is the way consumers buy hair care products. The way we were merchandising. . . was a hodgepodge. Shampoos and conditioners were in one place, gels in another. . . . people don't shop hair care by department, they shop by brands.'*
>
> — **Vicki Williams**, Peoples

1989 hair care dollar sales through food and drug stores

(Sales in millions of dollars, for the 10 months ended Oct. '89)

	Total food & drug store Sales	% chng	Food store sales	% chng	Drug store sales	% chng
After shampoo	$ 541.8	6.6%	$ 298.4	7.3%	$ 243.3	5.9%
Shampoo	954.7	5.9	612.6	6.0	342.1	5.8
Hair color	348.0	4.3	93.9	3.1	254.1	4.8
Fixatives	403.4	(1.3)	238.0	(1.8)	165.4	(0.5)
Ethnic	194.4	1.8	55.2	0.6	139.3	2.8
Men's hair preps	89.9	(1.8)	46.0	(2.6)	43.9	(1.0)
Perms/waves	77.3	0.9	22.8	1.4	54.4	0.7
Mousse	90.4	(4.4)	51.8	(1.6)	38.6	(7.8)
Total hair care	2,700.0	3.6	1,419.0	3.7	1,281.0	3.5

Source: Nielsen Marketing Research

Three-year hair care sales growth & share trends

(In millions of dollars)

	Food stores	Drug stores	Total
1989* sales	$1,419	$1,281	$2,700
% change	3.7%	3.5%	3.6%
Share of sales	52.6%	47.4%	100.0%
1988 sales**	$1,641	$1,471	$3,112
% change	5.6%	5.9%	5.7%
Share of sales	47.3%	52.7%	100.0%
1987 sales**	$1,554	$1,390	$2,944
% change	2.4%	1.4%	1.9%
Share of sales	52.7%	47.3%	100.0%

*For the 10-month period ended October 1989

**For the full year ended in December

Source: Nielsen Marketing Research

Hair care merchandising a family affair for drug chains

Cont. from page 27

say it is new products and relaunched, repackaged products, rather then segments, that are driving their business. Some buyers were excited about the New Revlon Internationals launch and the Helene Curtis launch of Degree, which is being backed up by a $35- to $40-million ad budget.

Revlon is not spending anything like that, however, to support Internationals, and as a result, there are buyers who are skeptical as to how big a splash it will make. Some felt that without aggressive ad support, it will make a minor impact and then fade from sight. A few said they felt the packaging doesn't justify the higher-price points.

Almost everyone said that specialty products for thinning hair have been disappointing, and they expect the category to be a "slow build." Shulton's Thrive and Revlon's Nutrasomme are still turning slowly, while Pantresse's Folicure still seems to be the best line in the segment, buyers said.

Several buyers who merchandise these brands in men's grooming said they are thinking of remerchandising them in the regular hair set. "Women don't shop the men's section as much," said one source, "and it's really the women who will buy these kinds of things for their men. I also feel there may still be a stigma to products that say they are for thinning or balding hair. Men may be put off reading that. It's sort of a taboo to admit you're balding."

In metropolitan stores, Clairol's new Option Hair coloring for men seems to be catching on and Grecian Formula's Just For Men is also continuing to do well, according to merchant reports. But in some Midwestern stores and in more rural areas, Option, in the words of one buyer, "is not setting the world on fire yet."

Again, buyers said they are rethinking merchandising strategies for men's hair color. Several chains are trying to decide if they should cross-merchandise these lines with women's color, as well as with grooming to try to capture a wider variety of shoppers, especially women shopping for men.

Hair color doing well

Women's hair color is still doing well, with growth averaging between 6 percent and 10 percent, depending on the chain. In some Midwestern markets, however, the category has gotten very competitive with chains like K mart, F&M and Target often advertising top brands below cost.

In styling aids, most buyers say they see their best turns on any aid that promises ultimate hold or maximum hold. "If it's a regular hold, forget it," said one source.

Multi-benefit products are also doing well in hair care, just as they are in skin care and cosmetics. "The more a product can do, the better," said Perry's Gorley.

Styling aids that shape the hair while enhancing shine or conditioning are doing well, as are shampoos and treatments with moisturizing and conditioning benefits, with volumizing and curl revitalization benefits.

Buyers also said that repackaging brings more growth to the category. The new L'Oréal packages for shampoos and treatments and Revlon's new package for Flex have done well, buyers said. Many sources think the new Condition re-launch will also be well received.

Higher-end brands are doing well without hurting sales for the best known value brands. Almost all buyers interviewed said their sales for brands like Breck, White Rain, Aqua Net and VO5 were "excellent," with most buyers saying they were still selling a ton of these brands.

Left: **Ike's in Memphis reinforces the value of its brand name hair care products with shelf signs and broad displays of fast-turning established products.** ***Right:*** **Deep discounters such as Drug Emporium make major statements in high-ticket professional hair care, often devoting 28 feet to the image lines.**

New products stir interest in hair accessories

Drug stores can expect significant growth in hair accessories, as buyers told *Drug Store News* they are seeing an influx of new companies weave their way into the hair implement and fashion accessories business.

While the hair ornament end of the business is cyclical and responds to ever-changing fashion trends, hair implements, such as brushes and combs, remain basic. But, in both segments, buyers are seeing new players.

"In the last year, I've been hearing from vendors who have just decided to get into the business," said Stephanie Hayter, cosmetic buyer at Genovese. She said she's even seen a ribbon company show her some of their new hair accessories, and she believes growth may come these new businesses.

Buyers said fashion is the driving factor in hair ornaments, which can yield margins as high as 60 percent.

Penny Wade, cosmetics and toiletries buyer at Harco, agreed. "Other players are opening doors in the category," she said, citing Conair, which has recently introduced a line of quality hair brushes.

Currently, the chain uses Wilhold, the Sunbury, Pa.-based hair accessories company which makes hair brushes, combs, pins, rollers, hair clips and barettes. The company was bought recently by American Greetings. "We will have an opportunity in the future to swap areas in our set" with merchandise from other manufacturers," Wade said.

Some buyers are surprised by the continued growth of hair accessories. Susan Lund, buyer at Snyder's Drug Stores in Minnetonka, Minn., said the category "has been on an upward trend for several years now, and I keep thinking it may level off or drop, but so far it hasn't." Lund said she felt this way because in the last few years, long hair was the trend, but now shorter hair seems to be in vogue.

Not in the South, where Wade reports: "Here we have more perms per square mile than anywhere else in the country." She noted that home permanent rods and permanent kits sell big in the chain's hair care section. She said shoulder-length permed hair is the style most Southern women choose.

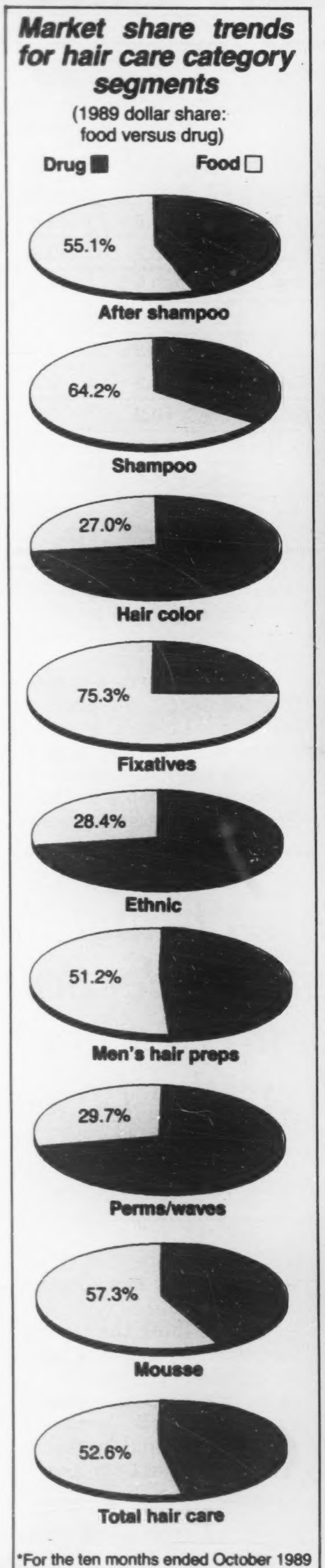
Regardless of hair length and texture, buyers said fashion is the driving factor in hair ornaments, which can yield margins as high as 60 percent. Howard Matzner, vp of Orginalities, under the direction of Cool-Ray Optics in Woodside, N.Y., said: "In the past, drug stores carried a basic line, where a woman walked in on the premise of buying a hairclip, and that's what she did. Women today may go into a drug store wanting to buy shampoo, but may also buy a hair accessory which caught their eye."

Most drug stores place their fashion hair accessories on a floorstand spinner rack in the cosmetics department or adjacent to their basic hair accessories mix. Patty Boster, cosmetics buyer at 13-store Fruth Pharmacy in Point Pleasant, W. Va., said the chain merchandises a floor display of fashion hair accessories in four of its stores, where higher-ticketed items sell well. The rack, by Karina, is located in Fruth's cosmetics department, and carries price points over $4, Boster said.

Genovese uses floorstands and promotes the category on an in-and-out basis to combat soft sales. "Back-to-school and major holidays like Christmas and Easter are perfect for promoting children's hair accessories. All mothers are looking for headbands when their children start school," Hayter said.

Adult women shoppers at Genovese like the higher-ticketed items that mimic department store offerings, like velvet bows, pearl accents and larger barettes for dressy wear. Hayter said these items sell best at Christmas.

Lund at Snyder's Drug Stores predicted that this summer, dressy bows and barettes will remain popular. Brighter colors and more flowery, romantic looks will prevail. And, all buyers mentioned neon accents and hot brights as *the* colors this summer, which will show up on hairbrush handles, ponytail holders and headbands.



*For the ten months ended October 1989
Source: Nielsen Marketing Research

WAREHOUSE SAVINGS
VOS
drugs

Top: **Hair coloring is anything but an impulse purchase, with consumers set on a particular shade and learning to use shelf-edge computers such as Clairol's to make a good color match.** ***Above:*** **At Arbor Drugs in Michigan, hair sprays are planogramed for maximum turn and private label savings are denoted clearly in shelf signs.**

Finding space is key to skin care success

Growth trends in skin care sales

(Sales in millions of dollars, for the 10 months ended Oct. '89)

Category segment	1989* food & drug sales	% chng	Food store sales	% chng	Drug store sales	% chng
Bath products	$ 146.4	0.0%	$ 55.5	(5.3)%	$ 90.8	3.6%
Depilatories	36.0	(4.3)	10.9	(5.2)	25.2	(3.9)
Face lotions/creams	405.7	15.3	121.8.	17.8	283.9	14.3
Hand/body lotions	391.7	8.6	180.8	10.3	210.8	7.1
Chapped lip preps	44.7	(4.2)	20.1	(6.3)	24.6	(2.3)
Sun tan lotion/oils	290.8	9.6	101.6	16.6	189.2	6.2
Baby lotions	24.3	(2.2)	14.1	(3.9)	10.2	0.2
Baby oils	48.7	(9.8)	28.5	(10.1)	20.1	(9.3)
Total skin care	1,388.0	7.8	533.5	8.3	855.1	7.6

Source: Nielsen Marketing Research

Most skin care buyers are convinced they can grow sales by 15 percent or better this year "if" they can find the space to merchandise the category the right way.

Most buyers feel that the best way to merchandise skin is to create what Genovese's Stephanie Hayter calls a "super" skin care set either on the wall or in gondolas within the cosmetics department. The consensus is that the super set should contain a selection of the fastest-turning cosmetic or franchised skin care lines as well as the best-selling upscale mass lines which are usually merchandised in the H&BA skin care aisle. Some chains also include upscale bath products, depilatories, sun care and acne products in their ideal planogram for this kind of set.

The problem is that most chain merchandisers feel they have to devote at least 20 feet, preferably 28 feet, to do justice to such a set, and they find it extremely difficult for many stores to find the space for such an approach.

In addition, many buyers feel it is important to keep at least some franchised skin care lines with their "family"—Almay skin on the wall with Almay color cosmetics, for example, or Clarion skin on the wall with Clarion color, Revlon franchised skin, Moondrops, Eterna, Pure on the wall with Revlon color, etc.

This means buyers have to be prepared to duplicate inventory, at least for a select number of SKUs—generally the better-turning moisturizers, toners and cleansers.

But given all the potential of the skin care category—so many new launches, so large a market of women concerned with aging, sun exposure damage and environmental stress—most major chains are working on creating a central set, convinced it will drive the category's sales into double digit increases.

At Genovese Drug in New York, Stephanie Hayter is working on a super planogram that will put all the skin and franchised lines together.

In stores where she can find the space, she plans to test it on the wall. In stores where wall space is tight, she will merchandise it on gondolas, probably in the first adjacent toiletry aisle, traditionally one that Genovese until now has allocated to hair color.

"I don't think the typical hair color customer is buying on impulse," she says. "I think that customer usually knows the shade they want and comes in and buys it. But if you take Olay and put it in a super set with a lot of other skin care items, including the franchised brands, you might be exposing that user to a whole lot or product they're not familiar with. So if we had skin care that close to cosmetics, they could depend on the cosmetician to answer any questions.

"And here, I think we would get impulse sales as people decide they're ready to try something new."

Like many retailers, Hayter was working with Revlon to get new fixtures to create a generic set. She also plans to use some of the new fixtures from Almay to improve the family set for that brand.

Hayter thinks that of all the skin care manufacturers, Almay has done one of the best jobs positioning its skin care products by type of skin care problem: oily, dry or normal.

"That's how customers are used to thinking of skin care and that's the easiest approach to understand," she said. The new Almay family fixture lets the retailer also merchandise the related Almay liquid make-ups by skin type. Hayter feels that approach should do well generating incremental or companion sales.

Other buyers also agree

Continued on page 38

The consensus is that the 'super set' should contain a selection of the fastest-turning cosmetic or franchised skin care lines, as well as the best-selling upscale mass lines.

Three-year skin care sales: growth & share trends

(In millions of dollars)

	Drug stores	Food stores	Total
1989* sales	$855.1	$533.5	$1,388.6
% change	7.6%	8.3%	7.8%
Share of sales	61.6%	38.4%	100.0%
1988** sales	$929.7	$583.8	$1,513.6
% change	14.9%	12.6%	14.0%
Share of sales	61.0%	39.0%	100.0%
1987** sales	$808.8	$518.3	$1,327.2
% change	7.8%	7.5%	7.7%
Share of sales	61.0%	39.0%	100.0%

*For the 10-month period ended October 1989.

**For the full year ended in December

Source: Nielsen Marketing Research

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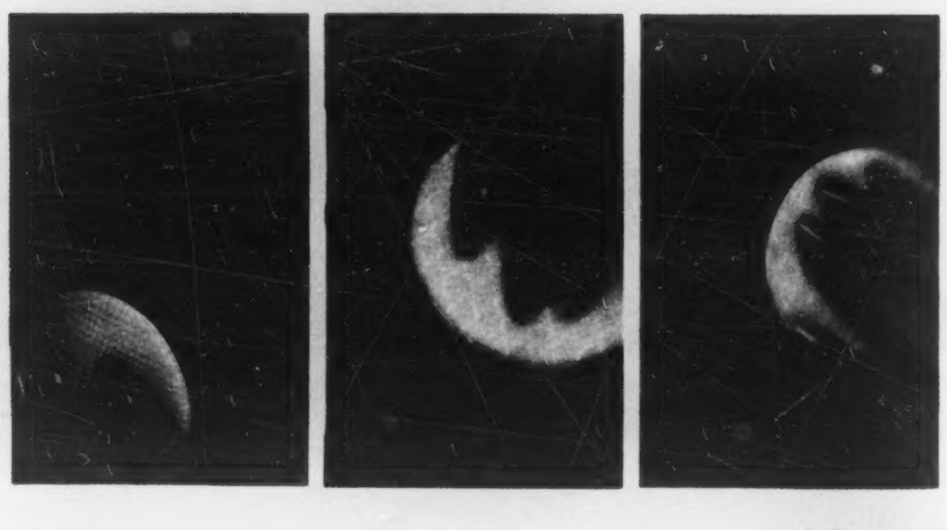

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For more information, contact FLAWA Corp., 11100 Westlake Drive, Charlotte, North Carolina 28217, Telephone 1-800/326-0685.

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*Source: Simmons Market Research Bureau, Inc. 1987.

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Space key to skin care merchandising

Chain drug stores versus independents: Comparison of skin care growth and share of sales by segment

(Sales in millions of dollars, for the 10 months ended Oct. '89)

	Chain sales	% chng	Chain share	Indy sales	% chng	Indy share
Bath products	$ 66.8	4.6%	73%	$ 24.0	(0.9)%	27%
Depilatories	20.8	(0.7)	83	4.3	(16.9)	17
Facial lotions/creams	223.3	18.1	79	60.6	2.0	21
Hand/body lotions	161.6	11.8	77	49.2	(5.7)	23
Chapped lip preps	17.2	(2.0)	71	7.4	(3.0)	29
Sun tan lotion/oils	147.9	12.6	78	41.3	(11.7)	22
Baby lotions	8.7	1.9	85	1.4	(8.6)	15
Baby oils	17.2	(5.9)	85	2.9	(25.4)	15
Total skin care	663.8	11.7	78	191.3	(4.6)	22

Source: Nielsen Marketing Research

Continued from page 34

that lines like Almay and Clarion are probably best left with their family.

Family sets make statement

"Almay first evolved as a skin care line and has been very successful in that area," said the director of cosmetics for one major Southeastern chain.

"If you separate skin from color, you'll probably lose some color sales, and the same for Clarion. Clarion is stronger as a color line, but its skin has been doing very well too. Now if we separate skin from color, we'll probably lose some Clarion skin sales. But with space so tight, it's really hard to know what's right to do."

This chain hopes to begin testing four or five different ways of merchandising skin care within the next two months. They feel that hair color should not be located too far away from the cosmetics area because their own consumer research indicates that customers have plenty of questions about this category.

Because the chain has stores ranging in size from 6,000 to 10,000 square feet, the final skin care planograms will have to be modified by store type. Management thinks a 20-foot set will be implemented, although 28 feet seems to be needed.

The test will include a planogram that keeps at least some select franchised lines with their family on the wall; a generic set that puts select franchised and mass lines together close to or in cosmetics; a set that puts franchised and mass lines just in the toiletry aisles, and a set that includes additional display space for étageres and towers.

They still haven't decided what to do with acne, but the new planogram will include depilatories and at least 6 feet for an everyday sun care section, possibly even 8 to 12 feet in sunbelt and larger stores.

Space constraints

At SupeRx in Cincinnati, where management is also working on a new skin care planogram, space is also tight. The chain is trying to develop a minimum 20-foot set that would link mass skin with some everyday sun care and deplilatories, as well as an "ideal" 36-foot set that would expand the 20-foot set with 4 more feet for franchised brands as well as space for bath and shower products.

Mike Russell, cosmetic merchandiser at the chain, said placing franchised brands with mass would give mass customers a chance to "trade up" to the more expensive franchised lines. So far, growth for franchised lines has been relatively slow in most SupeRx stores, but the mass category has been able to generate double-digit growth in the low teens.

By merchandising all skin care products together and giving the planogram a more organized presentation, Russell thinks it may be possible to generate growth between 15-20 percent a year or better.

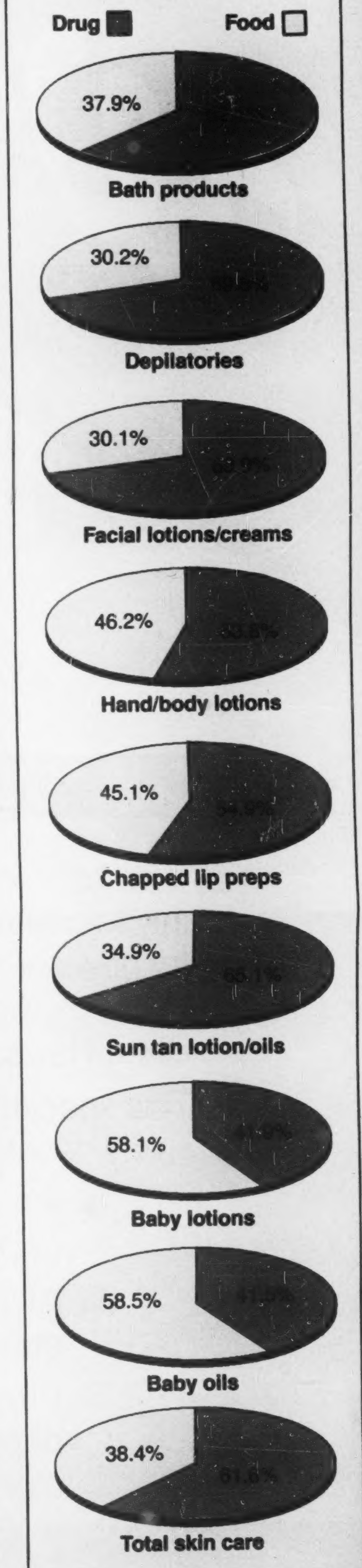
But because space in SupeRx stores is tight, Russell will probably not continue to carry his franchised lines on the cosmetic wall with their families.

He's been working with Almay on fixtures that would organize his generic set by manufacturer for the franchised companies and by lines for the mass brands. He's also hoping more mass manufacturers will develops shelf organizers like the ones used by Neutrogena and L'Oréal for Plenitude.

Russell was hoping to get the planogram rolling out to the stores by March and to finish by mid-year.

Market share trends for skin care category segments

(1989* dollar share: food versus drug)



*For the ten months ended October 1989
Source: Nielsen Marketing Research

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Protection heats up sun care sales

Continued from page 36

vendors like Coppertone, Hawaiian Tropic, Banana Boat and others to minimize his investment in marginal or slow-turning SKUs. "I asked vendors to build the pre-packs among their best-selling SKUs. It helped reduce leftovers and eliminated the expense of having to return the unsold merchandise."

Last year, Shade as a line underperformed at Peoples, but this year Schering is repackaging the line. Lehman thinks it will do much better. "They'll be supporting it with more advertising and this year Shade looks like it might be a player."

Almay is launching a new sun care line this year and Lehman is betting this too will be a winner. "I think it'll be a sleeper. It's hypo-allergenic, a niche that's been neglected until now. It also has a very nice ethical-looking package."

Chains that operate small formats, such as Rite Aid, Revco and CVS don't have much space for sun. Rite Aid only works it into the skin care planogram in Florida stores, and on endcaps in season throughout the rest of the chain.

Buyers for the bantam chains also stick with the best sellers—Coppertone, Banana Boat, PreSun, Vaseline Intensive Sun Care and Bain de Soleil among them.

One source said that "overlapping sun with skin care helped overall sales for both categories. Everyone is looking for some kind of protection so we see high-SPF formulas moving very well in both skin and sun. Neutrogena's SPF 15 moisturizer is selling very well."

The vice president of H&BA merchandising for one of the industry's larger chains also reports steady growth in sun care. His stores now carry sun care products 12 months of the year in an 8-foot section of skin care. His best selling items are the high protection SPFs, especially PreSun, SunDown and his own private label.

Other good movers, he said, were Coppertone's Sunless Tanning Accelerators, Coppertone tanning items, Hawaiian Tropic and Banana Boat.

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Drug store units pace Imasco to hikes in sales, earnings for '89

MONTRÉAL — Strong performance in its drug store units helped Imasco, Ltd. post a 16-percent gain in net earnings for the fiscal year ended Dec. 31, to $366.1 million (Canadian), company officials reported.

Corporate sales increased 6 percent, to $14.7 billion. Sales and revenues for 1989 do not represent figures for the Grisanti's restaurants and Peoples stores sold, or for the Howie's discount drug stores that were converted into associate-owned Shoppers Drug Mart stores, officials said.

Shoppers Drug Mart reported a 24-percent increase in earnings, to $70.6 million, which Imasco attributed to strong growth and efficiencies realized from the Howie's and Super X conversions. Revenues decreased from $194.9 million to $136.2 million, excluding the Howie's stores' performance for the current year. Officials noted that if the Howie's stores performance were excluded from 1988 figures as well, 1989 revenues would show a 19-percent increase.

Meanwhile, Peoples returned to profitability last year, posting $8.0 million in earnings, compared with the previous year's $8.3-million loss. Peoples saw 325 of its units, "where Peoples' potential was limited," sold last year, Imasco said, and as a result revenues fell from $1.841 billion to $1.207 billion.

Corporate performance for the fourth quarter saw Imasco's net earnings climb 14 percent, to $118.2 million. System-wide sales were $3.9 billion, up 6 percent; revenues were $1.5 billion, down 2 percent (again, largely due to the sale of the Peoples units and the Howie's stores' conversion); and operating earnings increased 7 percent, to $205.0 million.

S&P raises ratings of McKesson's debt

NEW YORK — Standard & Poor's Corp. announced that it had raised its ratings on the senior debt and preferred stock of McKesson Corp., the San Francisco-based drug wholesaler, to single-A plus from single-A. Ratings on the company's subordinated debt were raised to single-A from single-A minus.

About $345 million of debt is affected by the upgrade. S&P said in a *New York Times* report that the upgrade reflects its "greater confidence" that McKesson will "maintain its fine record of financial health."

O&M hits sales record; net income plunges

RICHMOND, Va. — Weak gross margins caused Owens & Minor's earnings to plunge, despite record sales, over the past fiscal year and fourth quarter, the wholesaler announced.

Sales for the year ended Dec. 31 were $952.9 million, a 30-percent increase, while earnings fell 70 percent to $2.5 million. The 12-month results allow for a $2.5-million pretax loss from the devaluation of foreign glove inventory. For the quarter, sales increased nearly 46 percent, to $277.1 million, while earnings fell from $2.1 million to $300,000.

G. Gilmer Minor, III, president and ceo, attributed the company's peformance an overall decline in gross margins, a doubling of interest expense due to acquisitions, and higher tax rates sustained from non-deductible losses incurred by the Harbor Medical subsidiary. Minor was encouraged by declining S, G & A expenses and the improved working capital resulting from increased inventory turns, saying "although disappointed with the results, we are not deterred from reaching our profit objectives in 1990."

Hikes in net income, sales for CVS's parent

WOONSOCKET, R.I. — Increases in both sales and net income were realized by Melville Corp., parent of CVS, for the year and fourth quarter ended Dec. 31.

Year-end net income increased to $398.0 million, from last year's $354.5 million, on sales of $7.553 billion, up from $6.780 billion last year—all reflecting the acquisition of Bermans Specialty Stores, Inc. in November 1988. Per-share earnings increased $.30, to $3.56.

For the quarter, net income increased from $205.3 million to $238.1 million, on sales of $2.519 billion, up from last year's $2.291 billion. Earnings per share increased $.44, to $2.23.

MARKET DIARY:

Largest Dollar Gainer	Durr-Fillauer,Perry Drug	$ 1.13
Largest Dollar Loser	Pfizer Inc.	$− 4.25
Largest Percentage Gainer	Perry Drug	14.52%
Largest Percentage Loser	Bolar Pharmaceutical	−18.60%

Advances	16
Declines	31
Unchanged	7
New highs	1
New lows	5

	Close 2/5/90	Close 2/20/90	Net Change	Percent Change
Drug Store News Index	2770.54	2724.91	−45.63	−1.65
Dow Jones Industrial Average	2622.52	2596.85	−25.67	−0.98
Standard & Poor's 500-Stock Index	331.85	327.99	−3.86	−1.16
N.Y.S.E. Composite	183.35	181.37	−1.98	−1.08
Value Line Index	241.19	238.96	−2.23	−0.92

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 2/5/90	Closing Price 2/20/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.75	20.00	0.25	1.27	19	0.16	0.80	24.75	10.50
OTC	Big B	BIGB	12.63	12.88	0.25	1.98	18	0.16	1.24	15.25	10.63
OTC	Drug Emporium (L)	DEMP	8.25	7.50	−0.75	−9.09	11	0.20	2.67	16.38	7.50
NYS	Fay's Inc. (L)	FAY	8.50	8.25	−0.25	−2.94	11	0.20	2.42	15.00	8.00
ASE	Genovese Drug (L)	GDX.A	9.50	9.50	0.00	0.00	13	0.24	2.53	12.88	9.38
OTC	Leroy Pharmacies (H)	LERY	5.50	5.63	0.13	2.27	−43	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	42.00	39.13	−2.88	−6.85	13	0.96	2.45	48.50	34.50
OTC	Medicine Shoppe	MSII	20.00	20.00	0.00	0.00	21	0.16	0.80	23.25	16.38
NYS	Perry Drug	PDS	7.75	8.88	1.13	14.52	13	0.00	0.00	13.38	7.38
NYS	Rite Aid Corp.	RAD	32.63	32.00	−0.63	−1.92	16	0.88	2.75	41.13	29.50
NYS	Walgreen Co.	WAG	42.25	40.88	−1.38	−3.25	16	0.80	1.96	50.25	34.25
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	22.38	22.00	−0.38	−1.68	12	0.32	1.45	27.25	19.63
OTC	Bindley Western Ind.	BIND	9.88	9.75	−0.13	−1.27	16	0.00	0.00	10.75	7.00
OTC	Cardinal Distribution	CDIC	20.75	21.75	1.00	4.82	17	0.08	0.37	25.00	14.88
OTC	Durr-Fillauer	DUFM	20.00	21.13	1.13	5.63	14	0.24	1.14	24.38	18.00
ASE	Ketchum	KCH	2.88	2.88	0.00	0.00	−1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	36.63	35.38	−1.25	−3.41	15	1.44	4.07	39.75	29.63
ASE	Moore Medical (L)	MMD	8.38	7.50	−0.88	−10.45	−3	0.00	0.00	15.13	7.50
NYS	Owens & Minor	OMI	10.75	11.25	0.50	4.65	20	0.24	2.13	14.38	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	65.50	64.38	−1.13	−1.72	17	1.40	2.17	70.38	50.38
NYS	American Home Products	AHP	104.25	100.75	−3.50	−3.36	14	4.28	4.25	110.25	84.13
NYS	Baxter International	BAX	23.38	23.88	0.50	2.14	16	0.56	2.35	26.25	18.50
OTC	Block Drugs Co.	BLOCA	35.00	34.25	−0.75	−2.14	13	0.68	1.99	38.00	30.63
ASE	Bolar Pharmaceutical (L)	BLR	10.75	8.75	−2.00	−18.60	5	0.16	1.83	32.25	7.75
NYS	Bristol-Myers Squibb	BMY	52.75	53.00	0.25	0.47	38	2.12	4.00	58.25	44.50
NYS	Carter-Wallace	CAR	55.00	53.63	−1.38	−2.50	16	0.80	1.49	60.50	39.13
ASE	Forest Labs	FRX	40.75	40.25	−0.50	−1.23	29	0.00	0.00	44.50	26.25
NYS	ICN Pharmaceutical	ICN	5.00	4.63	−0.38	−7.50	−22	0.00	0.00	6.88	4.63
ASE	Lee Pharmaceutical	LPH	1.88	2.00	0.13	6.67	−10	0.00	0.00	5.00	1.75
ASE	P. Leiner Nutrition	PLI	9.13	9.25	0.13	1.37	14	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	64.25	61.63	−2.63	−4.09	19	1.64	2.66	69.25	45.88
NYS	Marion Labs	MKC	25.88	25.50	−0.38	−1.45	106	0.36	1.41	36.63	22.00
NYS	Merck Co.	MRK	72.00	70.88	−1.13	−1.56	19	1.80	2.54	80.75	62.13
NYS	Mylan Labs	MYL	20.00	20.88	0.88	4.38	37	0.20	0.96	25.38	7.50
NYS	Par Pharmaceutical	PRX	7.00	7.00	0.00	0.00	350	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	69.25	65.00	−4.25	−6.14	15	2.40	3.69	75.75	54.00
NYS	Rorer Group	ROR	61.00	61.50	0.50	0.82	23	0.84	1.37	64.63	36.13
NYS	Schering Plough	SGP	80.88	77.75	−3.13	−3.86	19	1.80	2.32	87.50	59.38
NYS	Syntex Corp.	SYN	50.25	49.63	−0.63	−1.24	18	1.48	2.98	54.50	36.50
OTC	Taro-Vit Industries	TAROF	1.00	1.00	0.00	0.00	33	0.00	0.00	1.88	1.00
NYS	Upjohn Co.	UPJ	36.88	34.88	−2.00	−5.42	37	1.00	2.87	42.13	27.63
NYS	Warner-Lambert	WLA	111.38	107.50	−3.88	−3.48	18	3.04	2.83	118.75	77.38
NYS	Zenith Labs	ZEN	0.19	0.19	0.00	0.00	—	0.00	0.00	2.75	0.19
Other retailer transactions											
NYS	Albertson's	ABS	53.25	51.25	−2.00	−3.76	18	0.80	1.56	60.25	38.63
NYS	American Stores	ASC	57.75	55.38	−2.38	−4.11	23	1.00	1.81	72.50	53.00
NYS	Giant Food	GFS.A	26.25	25.25	−1.00	−3.81	14	0.48	1.90	36.25	22.13
NYS	Great Atlantic&Pacific Tea	GAP	52.00	52.25	0.25	0.48	0	0.00	0.00	65.38	47.00
NYS	K mart	KM	34.25	32.50	−1.75	−5.11	9	1.64	5.05	44.88	32.38
NYS	Kroger	KR	13.25	13.50	0.25	1.89	−59	0.00	0.00	19.75	9.13
NYS	Melville Corp.	MES	44.00	43.88	−0.13	−0.28	12	1.40	3.19	53.63	39.00
OTC	Fred Meyer	MEYR	17.00	16.50	−0.50	−2.94	13	0.00	0.00	23.00	15.25
NYS	Penney, JC	JCP	66.00	64.25	−1.75	−2.65	10	2.24	3.49	75.63	50.75
NYS	Smith's Food & Drug	SFD	23.50	24.25	0.75	3.19	21	0.28	1.15	25.38	20.50
NYS	Wal-Mart	WMT	41.75	41.75	0.00	0.00	24	0.20	0.48	47.38	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS

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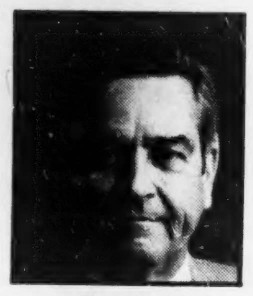
Exodus continues at American Drug

Scott resigns as chairman; Maher named president

By James Frederick


Scott

SALT LAKE CITY — Dick Scott has resigned as chairman, chief executive and president of American Drug Stores, culminating a rapid series of departures of high- and mid-level executives at the 675-store company. He has been replaced by new president Dave Maher, a 27-year veteran of American Stores and its Osco division, who last served as vp in charge of the company's Intermountain region based in Denver.

Scott's departure was the latest in a series of abrupt resignations by upper-level American Drug executives. Several of those who have left were fellow West Coast retail veterans brought in by Scott himself, including Dominick Cavallo, senior vp-marketing operations; Dick Boyd, senior vp-pharmacy operations; and Alan Barker, vp, secretary and general counsel.

In addition, 10 other senior and middle-level managers have departed to join former Osco president Dick George in a new retail venture. *(See related story on this page.)* Among them are former American Drug president Terry Hanson and John Kromer, former head of advertising and sales development.

American gave no indication of the reason for Scott's abrupt departure, other

See **Scott,** *page 85*

George launching new venture with American colleagues

George

WESTCHESTER, Ill. — Ten executives and managers have left American Stores to join former Osco Drug president Dick George in launching a new chain of stores in the Chicago area. The stores—as yet without a name—will sell H&BAs, cosmetics and other drug store merchandise, but will not contain pharmacies.

Company officials, including George, have officially taken a "no comment" position on the new company. Sources close to the venture, however, gave these details:

- Financing has been completed for the new venture, with outside venture capitalists sharing a stake in the company with George and all officers and managers who have joined the firm from American. "All of these people will share ownership," one source explained.
- The firm, currently op-

See **George,** *page 85*

Revco says interest is high for targeted stores on block

TWINSBURG, Ohio — Revco D.S. has received "substantial interest" from potential buyers since announcing its plan to sell 712 drug stores in 17 states, chairman and chief executive Boake Sells told employees.

In a letter sent in early March to all employees, Sells noted that Revco has had "multiple expressions of interest from serious, qualified parties" in "every one of the 17 states" the stores are located in. The company's financial advisor, Lazard Frères, has mailed out letters to all parties who have expressed an interest in the stores, asking them to respond within "the next month or so" with a preliminary bid "for whatever

See **Revco,** *page 85*

NACDS makes distribution personal

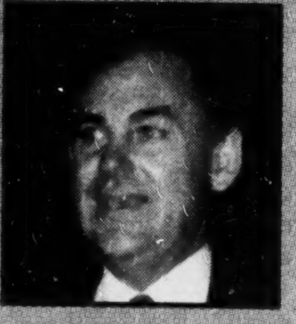
By Al Heller

TAMPA — More than 300 chain and supplier distribution executives held some of their first face-to-face meetings *ever* at the recent inaugural NACDS Distribution Conference.

Unfiltered by suppliers' sales reps or chains' buyers, attendees heard first-hand the distribution concerns of their peers on the other side, as they openly shared anecdotes, problems, strategies and forecasts during the 48-hour session.

The predominant feeling: the forum on critical distribution issues was long overdue, and was a solid first effort by NACDS to address such meaty topics as EDI, bar coding, motor carrier trends, reclamation, the environment and, of course, strategies for the '90s.

Turley


Ziegler

Futterman

In an address to the general assembly, Eckerd's Ron Peterson, executive vp-merchandising and marketing, noted that distribution costs exceed $100 million annually at Eck-

Continued on page 83

Affiliated/Associated blows into the Windy City

CHICAGO — More than 600 chain drug members and vendors are expected to descend on the Chicago Hilton and Towers Hotel here this week for the largest booth show ever staged by Affiliated/Associated buying group or its predecessors.

More than 180 merchandise exhibits, ranging from the smallest suppliers to giants like Kodak, Polaroid, GE, Eveready, Richardson-Vicks and L'Oréal, will greet representatives of the 70-plus drug chains that have signed on for the show, Saturday, March 31 to Tuesday, April 3.

"This is the largest turnout in history," said Ed Matteucci, president of the buying group. "I'm delighted that the vendors have shown such support."

Except for Affiliated and Associated's special housewares shows held in past years at the same time as the national housewares exhibitions in Chicago, this will be the group's first venture outside Manhattan.

The choice of The Windy City for the spring show and of Atlanta next October was a deliberate attempt to intro-

See **Chicago,** *page 85*

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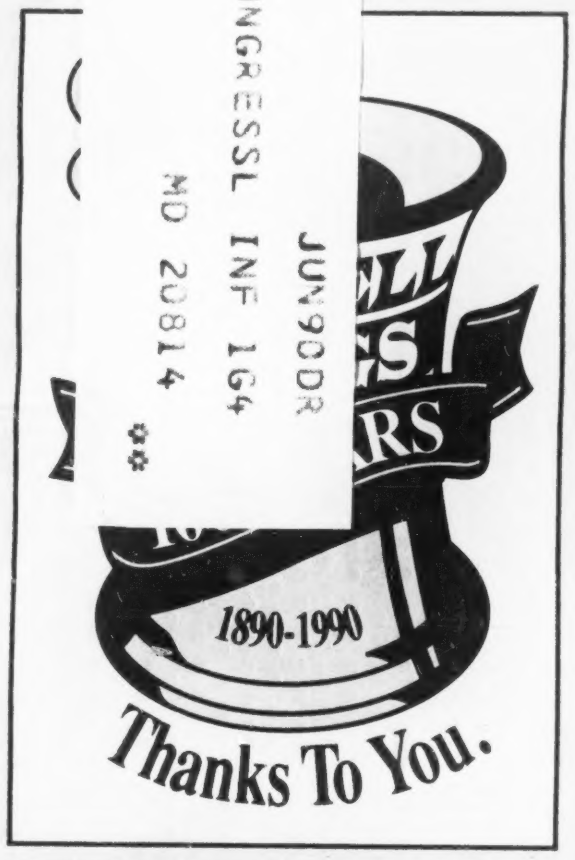


Bartells marks 100th with vendor promo

. . . all part of a centennial celebration Seattle won't soon forget. **Pages 2, 82.**

Assortment drives tobacco profits

Drug chains keep profit levels up by stocking a full range of brands. **Trends, page 15.**

LATE NEWS

- WILLOWDALE, Ont. — The newly-formed Canadian Association of Chain Drug Stores will hold its second meeting in June during the annual convention of the Canadian Pharmaceutical Association. The group, comprised of most of Canada's major drug chains, held what its chairman, Imasco Drug Retailing chairman David Bloom, called a "very positive" first meeting Feb. 23.
- CHICAGO — General Drug Co., the 44-year-old pharmaceutical wholesaler, was acquired by the Gimbel Investor Group for an undisclosed sum. Seymour Stoller, president of General, said the purchase should help the company exceed the $100 million annual revenue mark.
- OAK BROOK, Ill. — Sue Herrick, senior candy buyer at American Drug Stores, was chosen to buy cosmetics. She replaces Beverly Ehlebracht, who is leaving to work with Dick George's new retail operation.

NEWS IN BRIEF

Revco set for Charlotte H&BA expo

CHARLOTTE, N. C. — This city will host its first Revco Health and Beauty Expo March 30-31 at the downtown Convention Center.

The free show, the first Revco has held outside its home market of Cleveland, will feature some 100 exhibitors of health, beauty and fitness products offering demonstrations, product samples, celebrity appearances and beauty makeovers. The event will also include health screenings and entertainment.

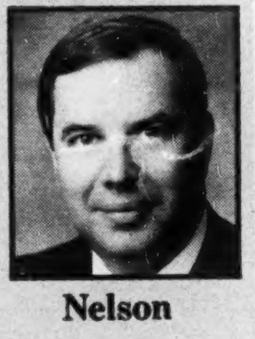
Co-sponsors are American Greetings, American Vitamin/Fields of Nature, Clairol and Pepsi-Cola.

Celebrities will include gold-medal diver Greg Louganis, NFL great Gale Sayers and actor Jeff Conaway.

This is our first expo to be held outside Cleveland," said vp-marketing services Bob Newmark. "We chose Charlotte because it's a growing city and an important market for Revco. It's the heart of our business in the South."

Last year's Cleveland Expo, to be held again this May, drew 100,000 visitors, he said.

Nelson named McK Drug's exec vp


Nelson

SAN FRANCISCO — Douglas E. Nelson, 38, has been named to the new position of executive vp of McKesson Drug Co., the largest division of McKesson Corp.

Nelson, who will report to McKesson Drug president Joseph Polastri, has headed McKesson's water division, which operates bottled drinking water businesses in six Sunbelt states, since 1983.

Industry sources say Nelson's appointment to the newly-created No. 2 spot at McKesson Drug indicates he is being groomed as a candidate to succeed Polastri, who is slated to become president of NWDA next year and who, at 62, is nearing retirement age.

Nelson joined McKesson's corporate planning and analysis department here in 1980.

Ziegler to recall Nixon years

ALEXANDRIA, Va. — Ronald L. Ziegler, NACDS president and ceo, will be one of 10 former White House press secretaries taking part in a PBS television program, "The Presidency: The Press and the People," scheduled to air Monday, April 2, at 9 p.m.

In addition to Ziegler, who was press secretary during the Nixon presidency, the panelists, and presidents they served, include Pierre Salinger (Kennedy), George Reedy (Johnson), Bill Moyers (Johnson), George Christian (Johnson), Jerald terHorst (Ford), Ron Nessen (Ford), Jody Powell (Carter), James Brady (Reagan) and Larry Speakes (Reagan). The program was recorded during a recent gathering of all living former press secretaries at the University of California at San Diego.

Rix to sell inner-city sites

AUBURNDALE, Mass. — Rix Dunnington has set plans to sell "three to five" of its older, small drug stores in inner city sites, chairman Richard Weinberg told *Drug Store News*. The 33-store chain is concentrating on developing larger 6,000-square-foot stores.

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Bartell Drugs to celebrate 100th anniversary in Seattle

By Susan Ball

SEATTLE — Bartell Drugs is throwing a year-long 100th anniversary celebration that Seattle residents will be hard-put to ignore.

The centerpiece is Bartell's first-ever vendor program, a 12-month promotion of new television, radio and increased print advertising backed by in-store merchandising and signage, circulars and other store support.

The centennial array also includes:

- A touring exhibit of old-time photos of Bartell stores, displays and ads.
- A free 1990 calendar for customers featuring reproductions of old shots of Bartell stores and ads.
- A desk calendar for employees.
- Bartell's "People Bus," a decorated city bus that will do double duty carrying customers to local attrac-

Continued on page 82

See page 82 for George H. Bartell Jr. profile

BARTELL
DRUGS
100 YEARS
1890-1990
Thanks To You.

Bindley's new prez takes hard look at credit situation in LBO environment

INDIANAPOLIS — Keith Burks, Bindley Western Drug Co.'s new 32-year-old president and chief operations officer, said the company, like McKesson, will be looking at the credit situation in the retail community "very closely from now on," in light of the current highly leveraged environment.

Bindley Western took a $2.98 million charge for Revco account receivables in the fourth quarter, but Burks said, "We look on the bright side in a case like this [and ask]: What have we learned?"

Burks said the Revco situation has consumed "a fair amount of our time" and noted, "We work on incredibly small margins, and whenever you have even a small writeoff, there's a substantial effect on earnings." But he said he expects "things will fall into place sometime this year" with Revco's planned selloff of 712 stores.

Burks noted that, with 1989 revenues of $1.6 billion, Bindley Western has experienced a "tremendous amount of growth" in its 21 years. And that rapid expansion has provided opportunities for Burks, who started with the company after high school as a management trainee in a warehouse, to gain valuable experience first on the financial side and then in operations.

After going back to school to gain a degree in accounting, he worked for awhile for another company and then was offered a job as assistant controller at Bindley Western. From there, he progressed to controller and later moved to the operations side, eventually becoming head of the Indianapolis division. "That was a great learning experience, because the company gives its managers a lot of autonomy. It was like running your own company," he said. As a group vp, he became involved in corporate planning.

Automating in '90

Burks said the company will continue this year to automate its 10 distribution centers and convert them to full-line facilities carrying 15,000-17,000 SKUs, including H&BAs and OTCs. The process should be finished by year's end.

Looking to increase higher-margin opportunities, Bindley will also continue to cultivate business with deep discounters, combos, nonwarehousing chains, apothecaries, HMOs and hospitals. Sales to accounts other than chain warehouses amounted to $272 million in 1989 and represented 17 percent of total sales, up from 15 percent in 1988.

Excluding the Revco write-down and an extraordinary charge of $523,000 relating to a settlement with the government, Bindley Western's 1989 pre-tax earnings increased 53 percent over 1988. Sales for the year were $1.561 billion, 22 percent higher than the $1.275 billion of 1988, and earnings before the $523,000 charge amounted to $3.14 million, compared with 1988 earnings of $3.56 million.

Fourth-quarter sales rose 24 percent, to $448 million, while pre-tax earnings of $3.4 million were offset by the Revco charge, resulting in an approximate break-even for the quarter.

To increase higher-margin opportunities, Bindley will continue to cultivate business with deep discounters, combos, nonwarehousing chains, apothecaries, HMOs and hospitals. **-Burks**

Happy Harry's eyes larger format

NEWARK, Del. — Happy Harry's Discount Drug will be testing larger formats this summer, when it opens three new stores, including two that are nearly one-third larger than the chain's 7,000-square-foot prototype, president Alan Levin told *Drug Store News*.

"It's a refinement of sorts. . . we're coming to a size that gives us flexibility, and leaves us open to other options," he added. The stores will be in Millsboro, Hockessin and Pike Creek Valley, Del.

Two of the new stores will average 9,000 square feet, and the other 6,500 square feet. Aisles will be five feet wide, not its usual four-foot width.

The new stores will sport updated graphics, including an off-pink color scheme in areas that appeal to women, and peach elsewhere in the stores. He plans to update graphics in all 20 stores chainwide.

Consultation areas will be added adjacent to pharmacy, with a sliding window between the pharmacist and the patient.

Correction

Call it the *Drug Store News* Good Neighbor Policy, if you want to be kind. We are chagrined, however, that when mapping Revco's Western states targeted for divestiture (Feb. 19, p. 1), we mistakenly placed Colorado within the outline of Wyoming. We didn't mean to offend citizens of either state. Thanks to numerous readers for pointing this out.

SPECIAL SAMI REPORT

Million-dollar brands post sales of almost $2 billion

PRODUCT TRACKING

ALAN MILLER

Million-dollar brands that made their first appearances in the 1980s generated $1.96 billion in drug store sales in the year ended Dec. 29, 1989. This figure reflects 52 health and beauty aid categories tracked by SAMI, and represents 23.8 percent of the $8.23-billion drug store total for 1989.

In all, 971 different brands accounted for $1 million or more apiece during the year in drug stores alone. There were 704 different million-dollar brands in these same categories found in food stores. These are but some of the highlights gleaned from SAMI's year-end million-dollar-brand reports, which have just been published and distributed to manufacturer subscribers.

The most productive H&BA "brand of the '80s" is Advil, which first appeared in June 1984 and now generates the highest annual sales. Ranked second: Alcon eye care products, first introduced in June 1982. Each of these brands was responsible for more than $50 million in drug store sales in 1989.

The dry grocery: food brand launched in the '80s with the highest drug store volume last year was Thompson Medical Co.'s Ultra Slim Fast. The top contender among dry grocery: non-foods: Kimberly-Clark's Huggies Super Trim Disposable Baby Diapers, first marketed in October 1986.

Hair setting needs was the H&BA category holding the highest share of current drug store sales among new brands of the '80s. It includes 20 new brands spawned by the success of hair styling mousse and gels. These brands contributed 73.6 percent of the category sales volume in drug stores, totaling nearly $100 million in drug stores alone.

Twenty-one new brands of hair spray accounted for $1 million or more in 1989 in drug stores; they represented 45.2 percent of the total category dollar volume. Helene Curtis' Salon Selectives launched in December 1987 has become the No. 2 contender in this category.

In the first aid antiseptic category, the top three brands were not on retail shelves until 1980 and 1981, when over-the-counter sales of cortisone products were first allowed. Twelve new antiseptic brands of the '80s had 1989 volume amounting to $86.6 million, or 47.7 percent of drug store volume in this product category.

The proliferation of tartar control and kid's toothpastes led to 16 new brands during the decade, with drug store sales of $106.2 million. Two of these brands, Crest Tartar Control and Colgate Tartar Control, are now among the top five brands in the category. Crest Tartar Control has assumed the No. 1 toothpaste position.

Coincidentally, there were 21 new million dollar brands of the '80s in three hair care needs categories: hair spray, as noted, hair conditioning rinses, and shampoo. New products accounted for 42.6 percent of the 1989 volume for hair conditioning rinses in drug stores.

Two of the top three hair conditioners, Salon Selectives and Finesse, were introduced in the 80s. The No. 3 shampoo brand, Procter and Gamble's Pert Plus, was launched in December 1986. In many instances, leading new shampoos were also high-ranking hair conditioners—Jhirmack, Vidal Sassoon, Finesse, Salon Selectives and Suave, to name five.

There were only two million-dollar-plus razor sets introduced in the '80s: Gillette Atra Plus and Gillette Trac II Plus, but these were the top ranking brands in the category in 1989, accounting for 41.2 percent of the category's drug store sales.

Eye care has grown steadily in food and drug stores, as contact lens products have multiplied. Fifteen new brands of the '80s accounted for 37.1 percent of the category's drug outlet sales in 1989.

New products churn each year in cold remedies. The 17 brands of the '80s, which are still active, were responsible for almost a third of 1989 category sales.

Among mouthwashes, the highest-ranking new brand was Pfizer's Plax, in third place after being introduced in January 1986. Thirteen new hand and body creams and lotions were first marketed in the '80s, and three of these were among the top 10 brands in the category last year: Vaseline Intensive Care Hand & Nail Lotion, Curel and Moisturel.

Recently, measured diet meals, particularly Slim Fast and Ultra Slim Fast, have been stealing the thunder from appetite suppressants, but four new products of the '80s accounted for 29 percent of category volume. The best selling brand of hair dressing needs, where men's hair grooming products and ethnic items are found, was Care Free, introduced at the end of 1980.

In spite of highly competitive new product activity in most categories of H&BAs during the decade just past, there were still 11 categories where no million-dollar brands bowed during the last ten years. These categories include baby powders, infant clothes, cream deodorants, feminine douches, chest rubs and denture adhesives.

Where new product action was in H&BA categories in drug stores during the 1980s

(Product categories with the highest share of current volume from million-dollar-a-year brands in drug stores introduced 01/01/80-12/29/89)

Category	Share of current volume contributed by million dollar brands launched in the 1980s	Number of million dollar brands of the 1980s
Hair setting needs	73.6%	20
First aid antiseptics	47.7	12
Hair spray	45.2	21
Toothpaste and powder	44.2	16
Hair conditioning rinses	42.6	21
Razor & blades	41.2	2
Eye care products	37.1	15
Shampoo	36.0	21
Razor blades	32.8	9
Toothbrushes	32.5	5
Cold remedies	32.4	17
Mouthwash	29.7	8
Hand & body cream - lotion	29.4	13
Appetite suppressants	28.6	4
Hair dressing needs	27.3	6
Suntan lotion - suntan oil	26.3	10
Feminine hygiene deodorants	23.0	2
Home permanent kits	22.6	3
Spray deodorants	21.5	7
External analgesics	21.5	3
Facial preparations	21.3	14
Internal analgesics	20.9	10

Source: Arbitron/SAMI

Agreement reached on McK buy of PCS common stock

SAN FRANCISCO — McKesson Corp. and PCS have reached a definitive merger agreement whereby McKesson will make a tender offer to acquire all the publicly held shares of PCS common stock at $20 per share in cash. McKesson, which currently owns about 86 percent of PCS's outstanding stock, had originally proposed, on Dec. 22, to acquire the outstanding shares for $15 a share.

Under the agreement's terms, McKesson will acquire any PCS shares not purchased in the tender offer in a subsequent merger transaction at the same $20 per share cash price.

Approval of the merger agreement and offer was based on several factors, including the recommendation of a special committee of the PCS board and the opinion of First Boston Corp., the PCS committee's financial adviser, which was that the proposal is fair from a financial point of view.

McKesson said that in consideration of its agreement to proceed with the acquisition, its lawyers and lawyers for the plaintiff in a outstanding-stockholder lawsuit have reached an agreement in principle to settle the suit, which related to McKesson's ownership of PCS and its proposal to acquire PCS's publicly held shares. The settlement is subject to judicial approval, which is being sought.

McKesson said the tender offer will begin soon. Morgan Stanley & Co. is acting as McKesson's financial adviser on the transaction and will act as dealer manager for the tender offer.

McKesson Corp. also recently announced completion of a previously reported transaction in which Provigo Inc. of Montréal sold its subsidiary, Medis Health and Pharmaceutical Services Inc., to a new corporation jointly owned by Provigo and McKesson. Medis, based in Kirkland, Québec, is the largest pharmaceutical distributor in Canada and the only one with nationwide distribution.

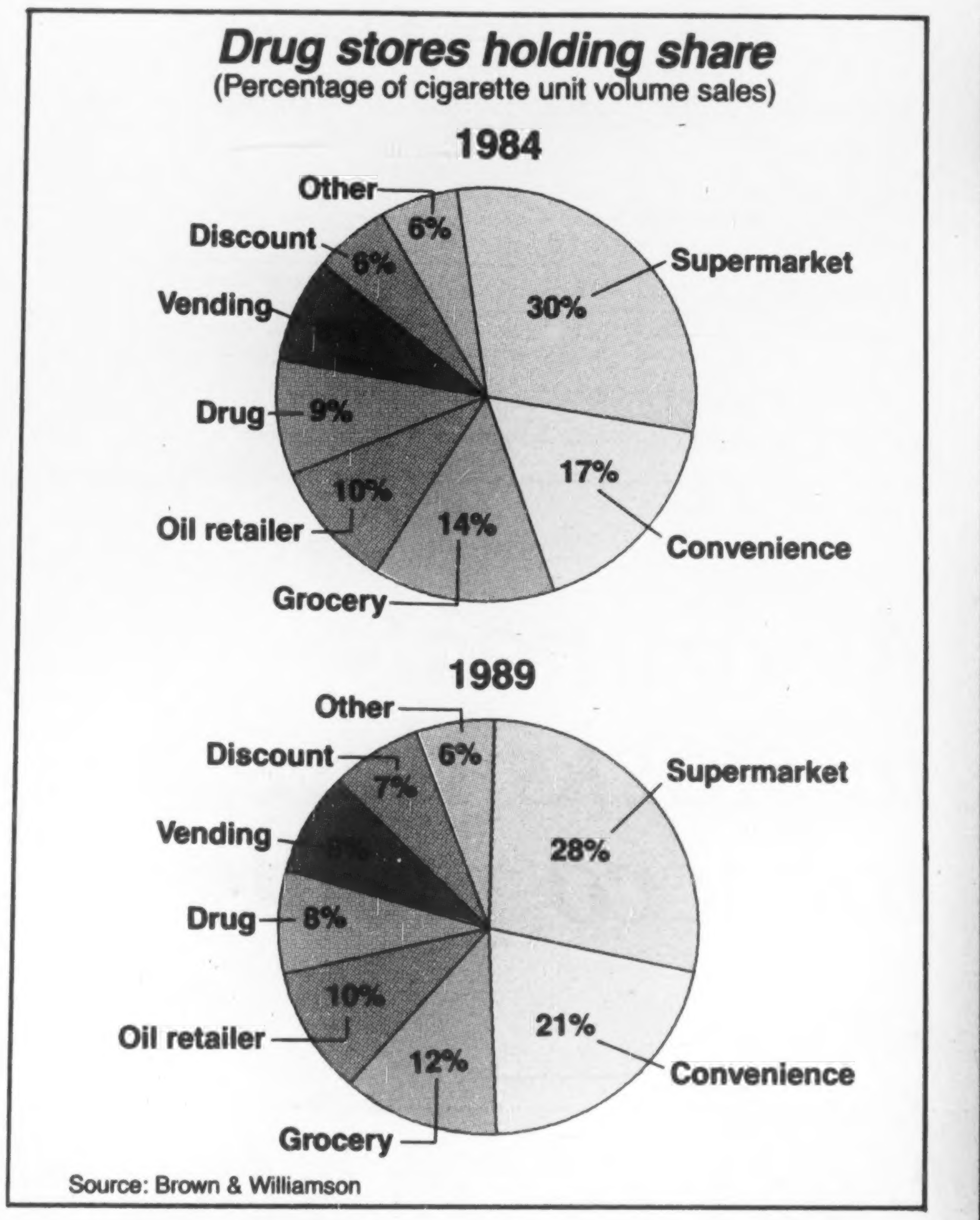
Revco D.S. gains more time for reorganization

AKRON, Ohio — U. S. Bankruptcy Court here has granted Revco D.S. a further extension of the period within which the chain has the exclusive right to file and gain approval of a plan of financial reorganization.

The court in late February gave Revco until July 31, 1990 to file a reorganization plan, and until Oct. 31, 1990 to obtain approval of the plan from its creditors.

The exclusivity arrangement, common in Chapter 11 bankruptcy proceedings, leaves Revco free to negotiate with its creditors without having to entertain takeover or reorganization proposals from outside bidders.

In January, the company completed and shared with its creditors a revised five-year business plan which calls for the sale of more than 700 stores in Western markets, and the focusing of Revco resources on more than 1,100 stores in 10 contiguous Eastern states.



Drug stores holding share
(Percentage of cigarette unit volume sales)

Source: Brown & Williamson

In Pay Less NW's new drug store in Oakley, Calif., a self-serve carton fixture in front of the checkout adds to impulse sales.

Assortments, in-stocks drive tobacco profits

Although unit sales of cigarettes are declining at some drug chains, mirroring the tobacco industry overall, many operators have been able to maintain and even boost category profits.

Some chains buck the sliding sales trend by committing to broad assortments and in-stock positions so smokers always know where they can find their favorite brands. Another important trend is that higher-margin generics, sub-generics, and single packs are assuming larger shares of category volume, buyers told *Drug Store News*.

Sub-generics—lower-priced generics which can sell for half the price of branded goods—are bursting onto the scene at a time when vendors' costs hikes and federal and state excise taxes have pushed the price of a carton of branded cigarettes to over $15 in many states.

Some buyers feel that kind of price advantage gives sub-generics the potential to follow in the footsteps of generics, the segment that in eight years has captured 15 percent of the market.

"I think they'll catch on just because of the price point. And there will be a variety of choices," said Rick Burns, Snyder Drug's tobacco buyer in Minneapolis.

At Snyder's, a carton of sub-generics such as Philip Morris's Bristol and Liggett Group's Pyramid retails for $9.99, compared with $12.99 for a branded generic and $15.69 for a brand.

Oregon's Pay Less NW has posted annual same-store sales gains by emphasizing in-stock positions and variety. The stores capture smokers who want outlets that are consistently in stock with their brands, said buyer Steve Elliott.

Room to breathe

To promote better assortment and inventory, last year Pay Less moved from a six- to a seven-row, three-sided carton end display. The self-service fixture is near the information counter at the front of the store.

Continued on page 16

Top 10 brands improve market share

Brand	Company	1989	1988
Marlboro	Philip Morris	26.3%	24.9%
Winston	RJR	9.0	10.7
Salem	RJR	6.2	7.3
Kool	Brown & Williamson	6.0	6.0
Newport	Lorillard	4.7	4.4
Camel	RJR	3.9	4.4
Benson & Hedges	Philip Morris	3.9	4.0
Merit	Philip Morris	3.8	3.8
Doral	RJR	3.7	3.4
Virginia Slims	Philip Morris	3.2	3.0

Source: John Maxwell, Jr., Wheat First Securities

"Trade loading" trades places with partnership

Curtailment of the practice of "trade loading," led by R.J. Reynolds, accounted for 2 percent to 3 percent of the 6-percent drop in vendors' unit shipments in 1989, industry sources estimate.

RJR has replaced the trade-loading practice with a program aimed at achieving better sell-through at retail, called "Winners—Partnership and Performance," according to RJR spokesman Seth Moskowitz.

With trade loading, the vendor was providing tobacco wholesalers with discounts if they purchased more cigarettes than they needed to meet demand from their retail accounts. Besides inflating vendors' sales numbers, the practice created inventory management problems. From the retailer's viewpoint, there was more likelihood of receiving stale product.

"This year we are shipping product in line with what the retail takeout is," said Moskowitz.

The payments to wholesalers were replaced with the "Winners" incentive program launched in January, which gives vendors' direct-buying customers the chance to earn up to $5 for every case they buy.

Bonus earnings are based on customers' success in meeting certain criteria which pertain to servicing their retail accounts. They cover such issues as assortment, inventory management, product quality, new product introductions, invoice payment procedures, retail presence, and brand distribution, display, and promotion, Moskowitz said.

CHECK OUT
CHECK OUT

Peoples displays cigarette cartons behind the counter in its store at Du Pont Circle, Washington, D.C.

Increase in moist snuff sales help smokeless tobacco sales hold steady*

(Vendors' domestic sales in millions of pounds)

Category	1983	1989	% change from 1988
Loose leaf	70.9	63.5	(1.9%)
Moist snuff	35.0	41.9	4.6
Plug	14.0	8.1	(4.4)
Dry snuff	10.7	7.1	(6.8)
Twist	1.7	1.3	(6.8)

*Total pounds shipped in all categories is down 0.3% in 1989 from 1988.

Source: Annual Report of Tobacco Statistics, U.S. Department of Agriculture.

Assortments, in-stocks drive tobacco profits

Continued from page 15

"We want to make this category as available to customers as possible," Elliott added.

In Pay Less's new prototype stores, the front-of-store area is dominated by staffed cosmetics and photo counters. Cartons, remaining self-service, are moved to a low-profile, four-row, straight-line fixture set between the checkouts and the front window.

Single packs are merchandised from a Philip Morris spring-loaded fixture that shows packs full-face at a checkout adjacent to the information checkout. Price/value brands receive their own fixture, also at the information stand.

The Philip Morris carton rack features an electronic security system in which a beeper and light is activated at the fixture and a remote beeper on a supervisor's belt is set off when too many cartons are pulled too quickly.

Cigarette merchandisers face the perennial task of balancing the needs of maximizing sales with self-sevice fixtures while protecting against shrinkage, which many feel means cigarettes should be behind a counter.

Retailers who insist on behind-the-counter displays can benefit from vendors' non-self-service programs, in which retailers are paid allowances when they achieve a minimum sales level for the product, and allocate a minimum of rows and linear feet to correspond with market share.

Fixtures ignite wars

"The problem is once you use one of the vendors' racks, the other vendors won't pay allowances. You start a war with the other manufacturers. I'm better off not using their fixturing," groused one buyer.

Bartell Drug in Washington state is closely monitoring display alternatives. "More and more retailers are putting cigarettes behind the counters or locking them up. That's putting more pressure on the [remaining] self-service displays," said buyer John Weith. While Bartell has kept self-service in 12 stores, "we're reviewing that almost on a weekly basis," he said.

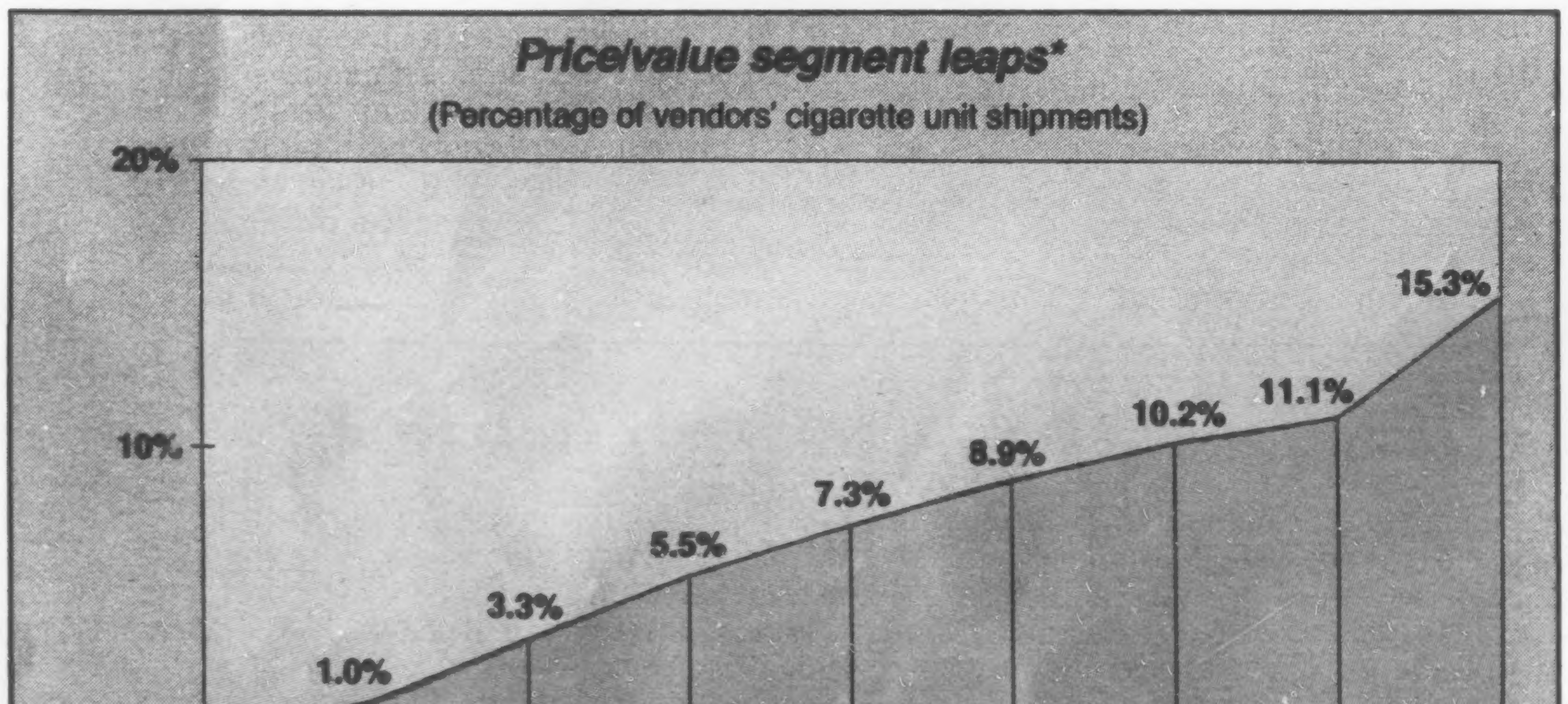
The lock-up of cartons and smokers' efforts to cut their consumption are two reasons why carton sales are declining as a percentage of total sales, Weith observed.

That can mean more profit, with cartons' margins at 10 percent or less while single packs hit the mid-20s. Meanwhile, sales of branded generics, such as RJR's Doral and Philip Morris' Cambridge, continue to drive the higher margin "value for money" segment, buyers said.

While there is less demand for generics in many of the well-off Long Island neighborhoods that Austin Drugs calls home, most smokers are price conscious and will shop around, observes Marty Millman, merchandise manager.

Heavy couponing on cartons and packs by vendors, along with Austin's regular in-store display promotions, have helped offset the climbing price hikes that Austin is required to push through to a minimum level by state law, said Millman.

To flag smokers' attention, Millman periodically puts out week-long floor displays featuring premiums such as two packs-for-the-price-of-one or a free lighter. "It's a way to keep consumers happy," said Millman.



Price/value segment leaps*

(Percentage of vendors' cigarette unit shipments)

*Includes branded and "black and white" generics in 20 and 25 packs

Source: Brown & Williamson

Teams, multi-packs light up lighters

Team licenses and multi-pack merchandising will be part of 1990s marketing arsenal to drive sales of disposable lighters.

Bic is adding imprints of major league baseball teams to lighters, after doing well with professional football imprints, which will continue this fall, said Steve Buckingham, Bic assistant product manager. "We see the market as a mature one, but we think there is still growth [to be achieved] for the right products," he said.

Bic projects that unit retail sales for all vendors will be 495 million in 1990, down from 500 million in 1989, and 510 million in 1988, when the market peaked.

A planned April 3 freestanding insert promoting a lighter five-pack, with a one dollar refund, will be part of Bic's effort to encourage multipack sales. Its mini-Bic three-pack reportedly sold well last year.

Cricket, owned by Wilkinson Sword, will also imprint as part of a drive to spotlight the Cricket name. Lighters will carry the Cricket symbol shown in various poses, including an astronaut, a skateboarder and a punk rocker, a Cricket spokesman said.

Cricket is also introducing a new "S-shaped" blister card it says saves pegboard space, and will feature a national sweepstakes this year.

Cricket, according to several sources, has elbowed past Scripto/Tokai for the number two market share position. It is estimated to have 16 percent, compared with Scripto's 14 percent and Bic's 55-60 percent of the market.

Bill proposes new agency to regulate tobacco advertising and ingredients

WASHINGTON, D.C. — Tobacco interests are battling a U.S. Senate bill that would create a new agency to regulate tobacco-product ingredients and advertising, and spearhead stepped-up education and counter-advertising on the negative effects of tobacco.

Sponsored by Sen. Ted Kennedy (D-Mass.) and Sen. Orin Hatch (R-Utah), the bill would also restore to states and localities the power to write their own tobacco product labeling and advertising laws. Now the federal government has "preemptive power" over the states in that area.

The agency would be called the Center for Tobacco Products, and be under the Center for Disease Control, which is part of the Department of Health and Human Services (HHS).

"It's unnecessary, it's unfair and the thinking behind the bill is based on false premises," said Michael Kerrigan, president of the Smokeless Tobacco Council. "This is the most significant piece of anti-tobacco legislation that I've seen in the last 12 years," he added.

Tobacco interests argue that restoring state and local control over advertising will create a confusing universe of laws, and that the agency would be redundant. Louis Sullivan, HHS secretary, testified last month that the existing Office of Smoking and Health covers many of the issues proposed for the new agency.

Smokeless tobacco interests further say the bill would require them to give up trade secrets by revealing products' ingredients.

"We have about eight cosponsors now and support for the bill seems to be gaining momentum," said a spokesman in Sen. Kennedy's office.

A significant rewrite?

However, a second source involved with the legislation maintained the bill is likely to be "significantly" rewritten in order to address opponents' concerns that it infringes on freedom of advertising.

The aspects most likely to be retained would be those providing resources for counter-advertising and more education, including $185 million in local/state grants, the source predicted.

Vendor shipments of cigarettes dropped 6 percent in 1989

(Billions of cigarettes)

Year	Shipment
1989	524.0
1988	557.8
1987	570.4
1986	582.8
1985	595.1
1984	600.2

Source: John Maxwell, Jr., Wheat First Securities

> 'This is the most significant piece of anti-tobacco legislation that I've seen in the last 12 years.'
> —Michael Kerrigan
> Smokeless Tobacco Council

Bartell Drug store features a strong presentation of pipe tobacco, cigars and smokeless products.

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Fourth-qtr. expenses can't rain on Fay's record year-end results

LIVERPOOL, N. Y. — Fay's, Inc. saw net earnings drop in its fourth quarter ended Jan. 27, but still showed record results for year-end revenues, net earnings and earnings per share for the year, the company annouced.

For the year, net earnings were $10.4 million, or 68 cents per-share, up from $10.0 million, or 66 cents per share, the previous year. Revenues climbed 9 percent to $574.1 million.

For the fourth quarter, net earnings were $3.5 million, or 23 cents per share, down from last year's $4.8 million, or 32 cents per share, for the period. Revenues did increase 8 percent to $161.7 million for the quarter.

Henry A. Panasci, Jr., Fay's chairman, noted that "soft sales of seasonal merchandise. . . resulting in larger-than-expected markdowns" hurt earnings performance for the quarter, as did expansion-related administrative costs and POS system implementation expenses.

Measures were being implemented to contain expansion costs, Panasci added. During the fiscal year, Fay's opened 11 super drug stores, eight Wheels Discount Auto Supply stores, three Paper Cutter stores and purchased 11 bantam drug stores.

Fay's board of directors declared a 5-cent regular quarterly cash dividend payable April 13, 1990 to shareholders of record March 30, 1990.

Arbor's 2nd-quarter results are strong

TROY, Mich. — Arbor Drugs, Inc. just keeps rolling along, if its strong results for the second-quarter ended Jan. 31 are any indiction.

The 92-store chain saw net income rise for the period from last year's $3.2 million, or 33 cents per share, to $3.7 million, or 38 cents per share, on $90.5 million in sales—a 12.0-percent increase. Comparable-store sales increased 7.9 percent.

For the six months, net income rose 28.1 percent, to $6.1 million, or 64 cents per share, on sales of $169.7 million—a 14.3-percent hike. A 10.0 percent gain was recorded for comparable-store sales for the period.

Contributing to the strong performance was "exceptional strength in our growing pharmacy department," according to Eugene Applebaum, chairman, president, and ceo. Applebaum expected additional contributions to the bottom line now that Arbortech Plus, an enhanced pharmacy computer system, as well as a POS system are on-line.

While noting "we are pleased to report the results acheived in our comparable stores," Applebaum acknowledged that "a key part of our growth strategy hs been the opening of new drug stores." Five units were opened during the second quarter, he said.

Rubber gloves snap at Moore's profits

NEW BRITAIN, Conn. — The Great Rubber Glove Massacre of 1988 has claimed another victim. Moore Medical Corp. announced it would take a $4.2-million charge for costs and reserves associated with latex examining gloves ($2.5 million after taxes), which it expected would lead to losses being posted for the fourth quarter and year ended Dec. 30, 1989. Those figures had yet to be released as *Drug Store News* went to press.

Moore becomes the second major wholesaler to absorb losses taken from devalued glove inventories. Owens & Minor last month announced it had taken a $2.5-million pretax loss for similar reasons *(DrSN, March 5, 1990, p. 46).*

AIDS-related health concerns had depleted glove supplies during 1988, forcing many wholesalers to seek gloves from alternative suppliers. Huge inventories were bought, but demand soon fell and with it, prices. Moore had expensed $11.4 million on gloves for 1988; after the current charge, its glove inventory is now valued at $1.3 million, the company said.

Bergen offering debt/equity swap

ORANGE, Calif. — Bergen Brunswig Corp. has authorized a tender offer of Class A common stock, at $14.88 per share, for $40 million of its 6⅞-percent exchangeable subordinated debentures due 2011, at $800 per $1,000 of principal. Bergen has $43 million of such debentures outstanding.

MARKET DIARY:

Largest Dollar Gainer	Melville Corp., Wal-Mart	$ 4.13
Largest Dollar Loser	Warner-Lambert	$− 6.13
Largest Percentage Gainer	Columbia Labs	16.67%
Largest Percentage Loser	Zenith Labs	−25.00%

Advances	28
Declines	25
Unchanged	2
New highs	2
New lows	10

	Close 2/20/90	Close 3/13/90	Net Change	Percent Change
Drug Store News Index	2724.91	2722.80	−2.11	−0.08
Dow Jones Industrial Average	2596.85	2674.55	77.70	2.99
Standard & Poor's 500-Stock Index	327.99	336.00	8.01	2.44
N.Y.S.E. Composite	181.37	185.25	3.88	2.14
Value Line Index	238.96	244.30	5.34	2.23

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 2/20/90	Closing Price 3/13/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	20.00	16.50	−3.50	−17.50	15	0.16	0.97	24.75	10.88
OTC	Big B	BIGB	12.88	11.38	−1.50	−11.65	16	0.16	1.41	15.25	10.63
OTC	Drug Emporium (L)	DEMP	7.50	7.50	0.00	0.00	11	0.20	2.67	16.38	6.88
NYS	Fay's Inc. (L)	FAY	8.25	8.13	−0.13	−1.52	12	0.20	2.46	15.00	7.88
ASE	Genovese Drug (L)	GDX.A	9.50	8.25	−1.25	−13.16	12	0.24	2.91	12.88	8.13
OTC	Leroy Pharmacies	LERY	5.63	5.25	−0.38	−6.67	−13	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	39.13	39.63	0.50	1.28	13	0.96	2.42	48.50	34.50
OTC	Medicine Shoppe	MSII	20.00	21.25	1.25	6.25	22	0.16	0.75	23.25	16.38
NYS	Perry Drug	PDS	8.88	8.75	−0.13	−1.41	15	0.00	0.00	12.88	7.38
NYS	Rite Aid Corp.	RAD	32.00	32.63	0.63	1.95	16	0.88	2.70	41.13	29.50
NYS	Walgreen Co.	WAG	40.88	42.38	1.50	3.67	17	0.80	1.89	50.25	34.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	22.00	25.00	3.00	13.64	14	0.32	1.28	27.25	20.50
OTC	Bindley Western Ind.	BIND	9.75	9.88	0.13	1.28	19	0.00	0.00	10.75	7.50
OTC	Cardinal Distribution	CDIC	21.75	20.75	−1.00	−4.60	16	0.08	0.39	25.00	14.88
OTC	Durr-Fillauer	DUFM	21.13	21.88	0.75	3.55	14	0.24	1.10	24.38	18.00
ASE	Ketchum	KCH	2.88	2.50	−0.38	−13.04	−1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	35.38	36.50	1.13	3.18	15	1.44	3.95	39.75	29.63
ASE	Moore Medical (L)	MMD	7.50	6.88	−0.63	−8.33	−3	0.00	0.00	15.13	6.75
NYS	Owens & Minor	OMI	11.25	11.38	0.13	1.11	38	0.24	2.11	14.00	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	64.38	63.50	−0.88	−1.36	16	1.68	2.65	70.38	51.00
NYS	American Home Products	AHP	100.75	101.25	0.50	0.50	14	4.28	4.23	110.25	84.13
NYS	Baxter International	BAX	23.88	24.13	0.25	1.05	16	0.64	2.65	26.25	18.63
OTC	Block Drugs Co.	BLOCA	34.25	34.38	0.13	0.36	13	0.68	1.98	38.00	30.63
ASE	Bolar Pharmaceutical (L)	BLR	8.75	7.38	−1.38	−15.71	4	0.16	2.17	32.25	3.50
NYS	Bristol-Myers Squibb	BMY	53.00	52.25	−0.75	−1.42	37	2.12	4.06	58.25	45.75
NYS	Carter-Wallace	CAR	53.63	52.38	−1.25	−2.33	16	0.80	1.53	60.50	39.13
ASE	Columbia Labs (L)	COB	12.00	14.00	2.00	16.67	−45	0.00	0.00	17.88	8.88
ASE	Forest Labs	FRX	40.25	38.00	−2.25	−5.59	28	0.00	0.00	44.50	28.63
NYS	ICN Pharmaceutical (L)	ICN	4.63	4.00	−0.63	−13.51	−1	0.00	0.00	6.88	3.50
ASE	Lee Pharmaceutical	LPH	2.00	1.88	−0.13	−6.25	−9	0.00	0.00	4.75	1.75
ASE	Leiner P. Nutrition	PLI	9.25	10.00	0.75	8.11	16	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	61.63	61.88	0.25	0.41	19	1.64	2.65	69.25	49.38
NYS	Marion Labs	MKC	25.50	22.50	−3.00	−11.76	94	0.60	2.67	36.63	22.50
NYS	Merck Co.	MRK	70.88	67.13	−3.75	−5.29	18	1.80	2.68	80.75	63.13
NYS	Mylan Labs	MYL	20.88	21.50	0.63	2.99	38	0.20	0.93	25.38	7.88
NYS	Par Pharmaceutical	PRX	7.00	7.25	0.25	3.57	363	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	65.00	59.25	−5.75	−8.85	15	2.40	4.05	75.75	54.50
NYS	Rorer Group (H)	ROR	61.50	65.38	3.88	6.30	24	0.84	1.28	67.63	36.13
NYS	Schering Plough	SGP	77.75	77.00	−0.75	−0.96	18	1.80	2.34	87.50	61.00
NYS	Syntex Corp.	SYN	49.63	49.50	−0.13	−0.25	18	1.48	2.99	54.50	39.25
OTC	Taro-Vit Industries	TAROF	1.00	1.00	0.00	0.00	33	0.00	0.00	1.88	1.00
NYS	Upjohn Co.	UPJ	34.88	35.50	0.63	1.79	37	1.00	2.82	42.13	27.63
NYS	Warner-Lambert	WLA	107.50	101.38	−6.13	−5.70	17	3.04	3.00	118.75	79.75
OTC	Zenith Labs	ZENL	7.00	5.25	−1.75	−25.00	—	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	51.25	55.13	3.88	7.56	19	0.96	1.74	60.25	38.63
NYS	American Stores (L)	ASC	55.38	56.00	0.63	1.13	16	1.00	1.79	72.50	51.38
NYS	Giant Food	GFS.A	25.25	26.38	1.13	4.46	15	0.48	1.82	36.25	22.50
NYS	Great Atlantic&Pacific Tea	GAP	52.25	50.88	−1.38	−2.63	0	0.00	0.00	65.38	47.00
NYS	K mart (L)	KM	32.50	33.75	1.25	3.85	21	1.64	4.86	44.88	32.13
NYS	Kroger	KR	13.50	12.88	−0.63	−4.63	−56	0.00	0.00	19.75	9.75
NYS	Melville Corp.	MES	43.88	48.00	4.13	9.40	13	1.40	2.92	53.63	39.50
OTC	Fred Meyer (L)	MEYR	16.50	16.75	0.25	1.52	13	0.00	0.00	23.00	14.75
NYS	Penney, JC	JCP	64.25	68.00	3.75	5.84	11	2.24	3.29	75.63	52.13
NYS	Smith's Food & Drug (H)	SFD	24.25	25.50	1.25	5.15	22	0.28	1.10	25.50	20.50
NYS	Wal-Mart	WMT	41.75	45.88	4.13	9.88	24	0.28	0.61	47.38	30.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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PHARMACIST EDITION

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Despite woes, generics seen gaining share

By Deane Evans

Inside Pharmacy SPECIAL REPORT

WASHINGTON — Federal economists predict that despite recent improprieties surrounding the approval of generic drugs, they will command a larger share of the pharmaceutical market in 1990. This has brand-name companies stepping up their efforts to introduce innovative products into the prescription marketplace.

According to a Department of Commerce report, manufacturer sales of generic drugs rose from $5 billion in 1988 to an estimated $7 billion last year, increasing the generic share to more than 30 percent of all prescription sales (up from 25 percent the previous year).

Significantly, government economists also predict that questions raised during recent Congressional hearings about the quality of specific generics will cause only a tem-

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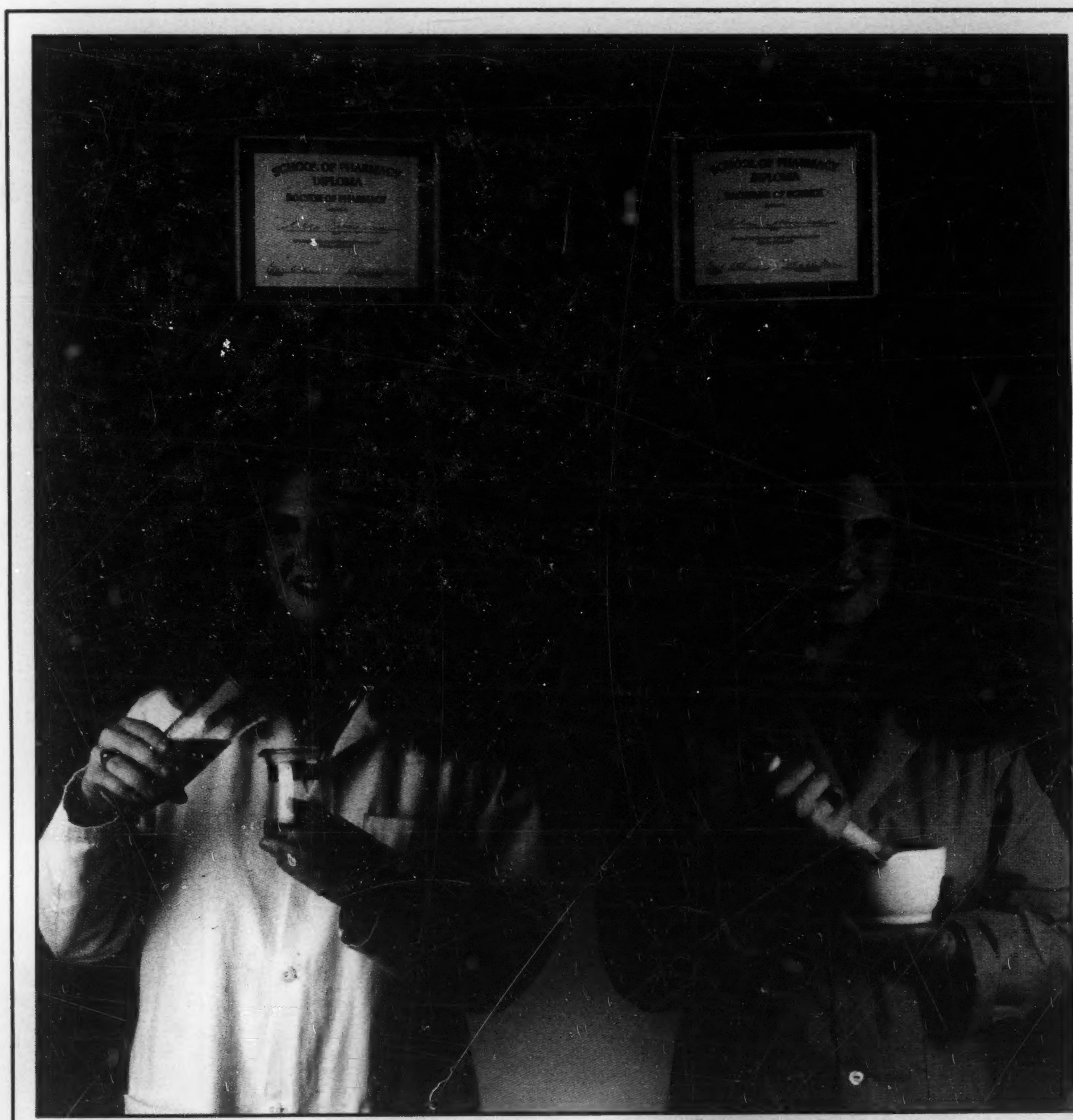

Pharm.D. degree gets workout

By Elizabeth Richardson

To Pharm.D. or not to Pharm.D.—that is the question facing pharmacy executives, educators and practitioners as the profession heads into the 21st century.

The debate over whether America's 74 colleges of pharmacy should offer a Doctorate of Pharmacy (Pharm.D.) degree as their only undergraduate degree has raged for years. While only 12 colleges of pharmacy currently offer a Pharm.D. as their sole entry-level degree, if the intensity of recent arguments is any indication, implementation of Pharm.D.-only degrees in *every* college of pharmacy could become a reality by the end of this century.

The latest battle surfaced last September, when the American Council on Pharmaceutical Education (ACPE) proposed a declaration of intent, stating: "Based on the council's analysis and assess-

Continued on page IP11

Federal study predicts market gains for generic drugs

Continued from page IP1

porary glitch in the upward trend for these products.

"Though sales of generics will slow to some degree due to recent publicity about questionable FDA approval of some generic prescription products, faster growth will resume as medical practitioners and patients regain confidence in the approval system," they said.

New generics due to reach the market will also increase generic sales. According to one study, more than 200 prescription drugs will lose their patent protection by the end of 1994, making them vulnerable to generic competition.

Trends and forecasts: drugs

(In millions of $)

Item	1987*	1988**	1989**	% Change 88-89
Value of all drug shipments:†	$35,054	$38,344	$41,516	+8.3%
Medicinals/Botanicals	4,222	4,698	5,116	+8.9
Pharmaceutical Preps.	26,475	29,066	31,584	+8.7
Diagnostic Substances	2,621	2,757	2,910	+5.5
Bio Prods. (ex. diagnostics)	1,736	1,823	1,906	+4.6

*Preliminary
**Estimated
†Value of products classified in the drugs industry produced by all industries.

Source: U.S. Department of Commerce: Bureau of Census, Bureau of Economic Analysis, International Trade Administration

New generics due to reach the market will also increase generic sales. According to one study, more than 200 prescription drugs will lose their patent protection by the end of 1994, making them vulnerable to generic competition.

At the same time, manufacturers of name-brand drugs are stepping up new product development to increase their competitiveness with generic products.

Researchers reported that the industry invested an estimated $7.3 billion in research and development of new drugs in 1989, up 12 percent from 1988 investments. Total U.S. prescription drug sales by manufacturers reached $23 billion in 1989, a 9.9 percent increase from the previous year.

Although prescription products are generating the biggest increases in pharmaceutical shipments, over-the-counter drug sales also experienced growth. In 1989 the value of OTC product shipments increased 4 percent to $9 billion.

"Self medication by patients, both on their own initiative and at the behest of medical practitioners, is growing in acceptance," Commerce Department researchers said.

According to the new government figures, nonprescription drugs accounted for more than one-third of the value of last year's pharmaceutical product shipments.

Forecasters expect the total value of pharmaceutical product shipments (including both prescription and OTC drugs) to rise steadily for the next five years. Manufacturer sales reached $31.6 billion last year, an increase of 8.7 percent.

After adjustment for inflation, the 1989 growth represented a 2.8 percent increase. Similar inflation-adjusted gains of between 2 percent to 3 percent are predicted through 1994.

Although the government's forecast for drug manufacturer sales is rosy, the outlook for prescription sales growth at the retail level is somewhat dimmer due to rising competition from mail order prescription services.

According to forecasters, since senior citizens are the greatest users of mail order drug products, purchases through the mail "will become more common as the population ages." Economists predicted that the value of shipments of mail order prescriptions will reach $2.5 billion by 1994.

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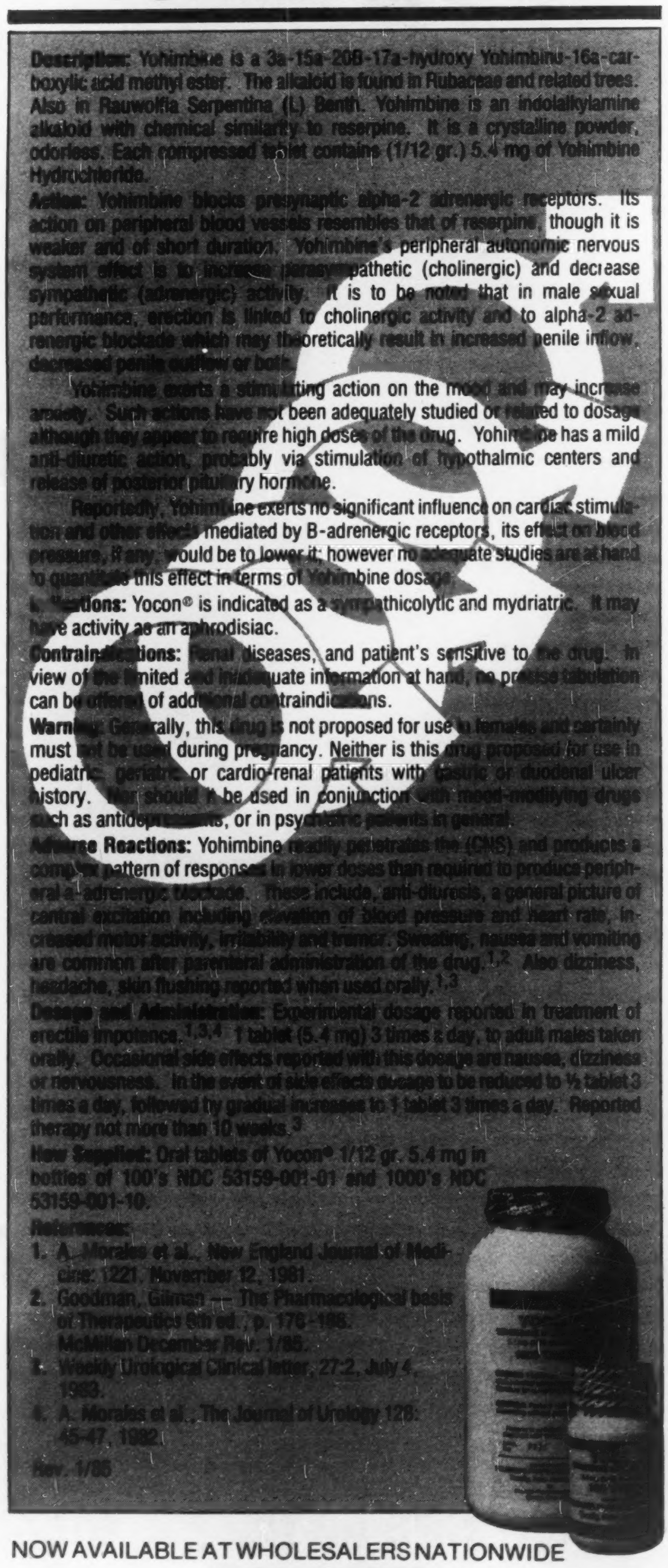

Description: Yohimbine is a 3a-15a-20B-17a-hydroxy Yohimbinu-16a-carboxylic acid methyl ester. The alkaloid is found in Rubaceae and related trees. Also in Rauwolfia Serpentina (L) Benth. Yohimbine is an indolalkylamine alkaloid with chemical similarity to reserpine. It is a crystalline powder, odorless. Each compressed tablet contains (1/12 gr.) 5.4 mg of Yohimbine Hydrochloride.

Action: Yohimbine blocks presynaptic alpha-2 adrenergic receptors. Its action on peripheral blood vessels resembles that of reserpine, though it is weaker and of short duration. Yohimbine's peripheral autonomic nervous system effect is to increase parasympathetic (cholinergic) and decrease sympathetic (adrenergic) activity. It is to be noted that in male sexual performance, erection is linked to cholinergic activity and to alpha-2 adrenergic blockade which may theoretically result in increased penile inflow, decreased penile outflow or both.

Yohimbine exerts a stimulating action on the mood and may increase anxiety. Such actions have not been adequately studied or related to dosage although they appear to require high doses of the drug. Yohimbine has a mild anti-diuretic action, probably via stimulation of hypothalmic centers and release of posterior pituitary hormone.

Reportedly, Yohimbine exerts no significant influence on cardiac stimulation and other effects mediated by B-adrenergic receptors, its effect on blood pressure, if any, would be to lower it; however no adequate studies are at hand to quantitate this effect in terms of Yohimbine dosage.

Indications: Yocon® is indicated as a sympathicolytic and mydriatric. It may have activity as an aphrodisiac.

Contraindications: Renal diseases, and patient's sensitive to the drug. In view of the limited and inadequate information at hand, no precise tabulation can be offered of additional contraindications.

Warning: Generally, this drug is not proposed for use in females and certainly must not be used during pregnancy. Neither is this drug proposed for use in pediatric, geriatric or cardio-renal patients with gastric or duodenal ulcer history. Nor should it be used in conjunction with mood-modifying drugs such as antidepressants, or in psychiatric patients in general.

Adverse Reactions: Yohimbine readily penetrates the (CNS) and produces a complex pattern of responses in lower doses than required to produce peripheral a-adrenergic blockade. These include, anti-diuresis, a general picture of central excitation including elevation of blood pressure and heart rate, increased motor activity, irritability and tremor. Sweating, nausea and vomiting are common after parenteral administration of the drug.[1,2] Also dizziness, headache, skin flushing reported when used orally.[1,3]

Dosage and Administration: Experimental dosage reported in treatment of erectile impotence.[1,3,4] 1 tablet (5.4 mg) 3 times a day, to adult males taken orally. Occasional side effects reported with this dosage are nausea, dizziness or nervousness. In the event of side effects dosage to be reduced to ½ tablet 3 times a day, followed by gradual increases to 1 tablet 3 times a day. Reported therapy not more than 10 weeks.[3]

How Supplied: Oral tablets of Yocon® 1/12 gr. 5.4 mg in bottles of 100's NDC 53159-001-01 and 1000's NDC 53159-001-10.

References:

1. A. Morales et al., New England Journal of Medicine: 1221, November 12, 1981.
2. Goodman, Gilman — The Pharmacological basis of Therapeutics 6th ed., p. 176-188. McMillan December Rev. 1/85.
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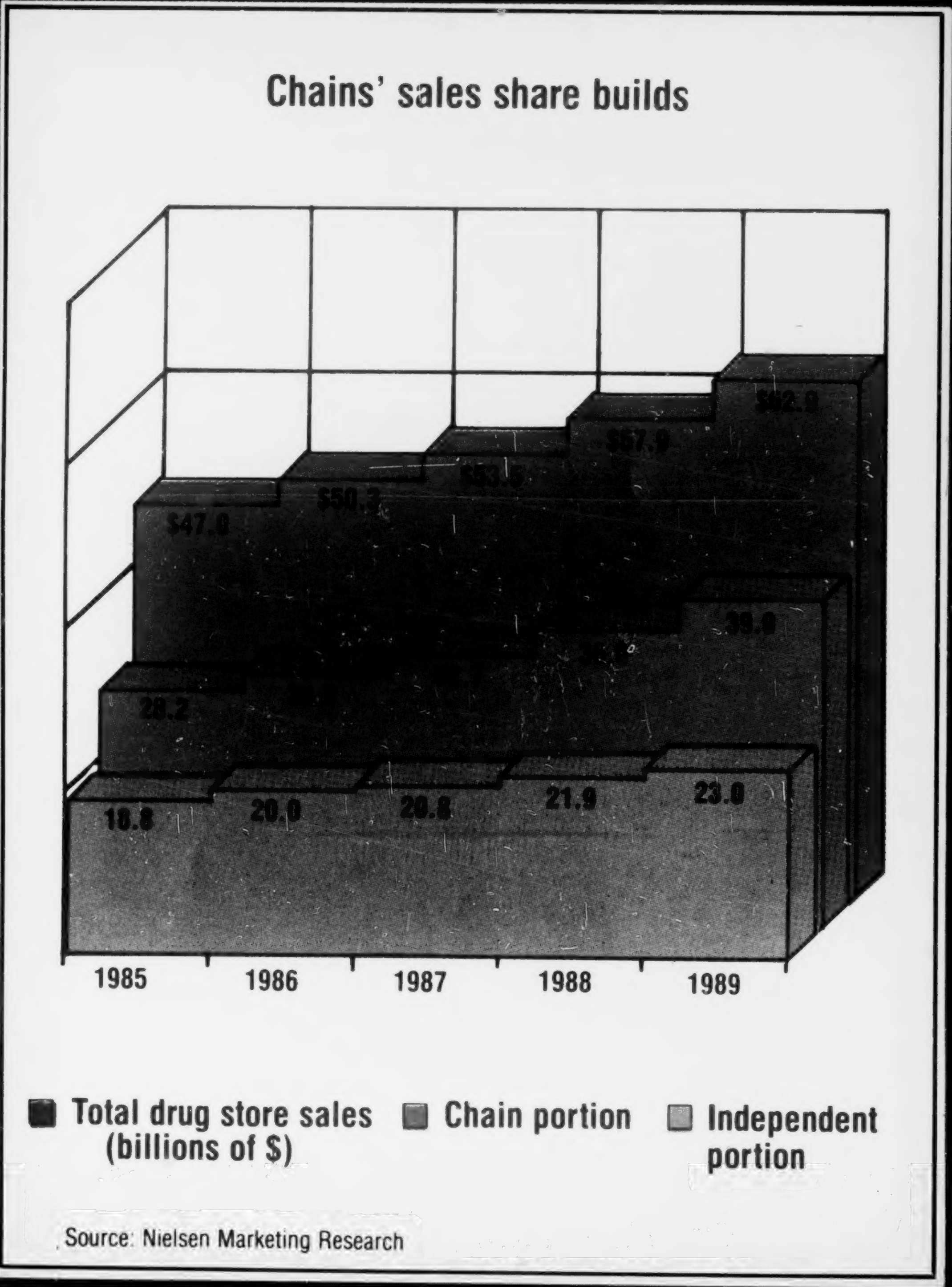
Vol. 12/No. 7 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Apr. 9, 1990

Annual Report Part I:

Chain volume up sharply



Chains' sales share builds

■ Total drug store sales (billions of $) ▨ Chain portion □ Independent portion

Source: Nielsen Marketing Research

owered by strong gains in pharmacy and by the rapid ascent of the deep discount segment of the business, chain drug store sales rose 11 percent in 1989 to $40 billion, the second year in a row in which the chain drug industry registered a double-digit increase.

Overall, drug stores recorded a 9 percent gain in 1989 dollar volume to $63 billion. Independents, with sales up only 5 percent, continued their long slide in market share versus the chains. Still, the long-predicted demise of the independents seemed just as far off as ever, as strong wholesaler programs plus a commitment to full-service community pharmacy kept the strongest independents competitive in their market niches.

The chains themselves have had to go to war on their own competitive battlegrounds. Facing powerful margin pressures from food chains and mass market retailers, drug chains for the most part avoided price clashes and concentrated on their strengths: convenient locations, easy-to-shop stores and a product mix stressing everyday consumer needs. The chains accelerated the trend toward a tightly focused assortment emphasizing OTC, toiletries, cosmetics, greeting cards, film and photo processing, convenience foods, and seasonal necessities.

Drug stores record a 9% gain to $63 billion.

The concentration on core categories was bolstered by an increasing investment in store remodels. Chain after chain freshened up their prototypes with sharp new decors, improved lighting and uncluttered aisles, and rolled them out in their markets. The goal: to produce maximum return on their existing store base by improving shopping ease and realigning categories and shelf allotments for faster movement.

At the same time, chains focused most of their growth efforts on greater penetration of existing markets, rather than venturing into new ones. There were exceptions to this policy, including Rite Aid's continued willingness to acquire blocks of stores and the breathless race of deep discounters to establish bases in new markets across the country. But in 1989 even Rite Aid's expansion pace slowed.

During the year, drug chains also increased their investment in advanced management systems designed to improve efficiency in distribution, inventory control, pharmacy, front-end operations, and labor

Continued on page 33

BEST AVAIL

NEWS IN BRIEF

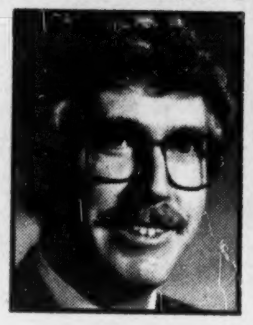
Big B names vp-professional relations

BIRMINGHAM, Ala. — Big B named Dr. Timothy Burelle to become of vp-professional relations, effective with the retirement this June of John F. Hight Jr., who has served in the position since 1979.

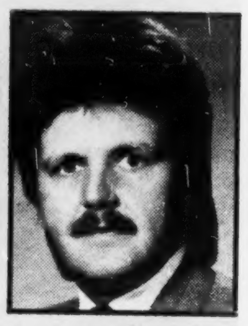
Burelle, who has been dean of the Samford University School of Pharmacy since 1985, will be responsible for the operation of Big B's 300 pharmacies. The chain opened its 300th store in February.

Burelle joined the Samford faculty in 1973. He holds a pharmacy degree from Samford, a Doctor of Pharmacy from the University of Tennessee and a Master's degree in public health from the University of Alabama in Birmingham. He is a member of the American Pharmaceutical Association and the American Association of Colleges of Pharmacy, as well as several other national and regional pharmacy professional organizations.

Thrift promotes three buyers


Horn

Sheets


Patterson

PITTSBURGH — Thrift Drug announced three appointments on its buying staff. Bruce Horn has been named senior buyer of OTC drugs, Marty Sheets has been appointed senior cosmetics and fragrances buyer and Ken Patterson has been tapped as senior buyer with major responsibility for greeting cards, stationery, photo, and reading and sunglass products.

Horn, who joined Thrift in 1978, was formerly an OTC buyer and will continue to be responsible for purchasing activities and decisions for all OTC drugs except private label. In addition, he will supervise the returns administration area.

Sheets was a buyer for cosmetics and toiletries and will assume additional vendor responsibilities in the cosmetics/fragrances area. She has been with Thrift since 1976.

Patterson joined Thrift in 1974 and worked as a management trainee and merchandise manager before being promoted to buyer in 1978.

Horn and Sheets will continue to report to general merchandise manager Don Green. Patterson will continue to report to Tom Kutosky, vp-merchandise.

Krelitz to buy Eagle, drug wholesaler

MINNEAPOLIS — Krelitz Industries, Inc. has signed a letter of intent to buy Eagle Drugs, Inc., furthering its plan to emphasize drug distribution. A definitive agreement for Krelitz's purchase of all outstanding shares for an unnamed amount is expected soon, Krelitz announced.

Eagle, based in Eden Prairie, Minn., is a pharmaceutical, H&BA and general merchandise wholesaler, which, according to a source, posted about $35 million in sales for its latest year.

In its plans to divest non-drug businesses, Krelitz will close "momentarily" on a pact to sell its James Phillips Co., a medical and surgical supply distributor. It is still "actively pursuing" the sale of Ulmer Pharmacal, a maker of skin care products, according to Barry Krelitz, president and ceo.

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NWDA Marketing Conference stresses a new business era

By James Frederick

ATLANTA — After decades of using technology to drive down operating costs and gross margins while boosting sales, the wholesale drug industry must find new ways to stabilize gross margins and increase market share, according to Charles Trefrey, president and ceo of the National Wholesale Druggists' Association.

In a talk at the NWDA's 1990 Marketing Conference here last month, Trefrey called for a new approach to boosting sales and profits for the nation's drug wholesalers. "We've been playing the same game for about 30 years, starting when we brought technology into the business," he told NWDA members March 22. "We've enjoyed tremendous market share growth and tremendous sales growth, while driving down operating costs. *(Extended show coverage will be featured in Inside Pharmacy, April 30, 1990.)*

"We're headed in a bad direction. We're at the point where we can no longer drive operating expenses down as fast or as far as we used to, and gross margins can't continue to come down as they used to," Trefrey said. "We've reached the end of an era—we're a world-class, unbeatable distribution system, but we are not yet on top of it."

Trefrey called on drug wholesalers to manage their margins more effectively and find new ways to build their business through value-added services to independent and chain drug retailers. He also made another broad appeal for NWDA members to attend a series of "no-holds-barred" seminars on the future of the industry, to be held May 15-17 at the O'Hare Airport Hyatt Regency in Chicago.

Trefrey's comments came against a backdrop of unprecedented growth in the wholesale drug industry. As NWDA members gathered in Atlanta for a four-day round of high-level meetings with supplier companies, the industry marked the end of a decade of enormous market share increases, increased distribution efficiencies and consolidation.

Between 1980 and 1988, noted NWDA chairman Erwin Dohmen, drug wholesaler sales tripled to $22.2 billion, and should reach $80 billion a year by the year 2000. The industry is handling an ever-increasing number of products, as well—from 6,410 SKUs in 1987 to 8,662 the following year.

The annual Marketing Conference gives wholesalers and their product vendors a chance to meet and iron out differences at the executive level. This year's trade show brought together 289 wholesaler executives and more than 900 supplier representatives and associate NWDA members in four days of intensive, one-on-one meetings, with two days each set aside for wholesaler meetings with pharmaceutical and front-end suppliers.

Both wholesalers and vendors praised the conference's intensive work ethic and booth format. "It allows us to review the business and tell our wholesalers what we're planning and how our new products will impact their business, and it gives them the opportunity to present areas of concern," noted Joe Kieble of Upjohn.

Discounters make moves on Rx, OTCs, H&BAs:

K mart eyes drug store goods in revamp plans

TROY, Mich. — With pharmacy and health and beauty aids playing a greater role in modernized stores, K mart will spend $1 billion more than originally planned over the next five years to significantly accelerate store expansion and improvement efforts.

The giant retailer recently announced its plan to boost capital spending from an original target of $1.3 billion to $2.3 billion for the five-year expansion and renovation effort. The accelerated store modernization program "will involve virtually all U. S. K mart discount stores," according to chairman and ceo Joseph Antonini.

250 new stores planned

"There will be approximately 250 new full-size K mart stores, 620 enlargements, 280 relocations and 30 closings," Antonini said. "In addition, approximately 1,260 stores will be refurbished to bring their layout and fixturing up to new store standards."

All stores will be brought up to the chain's new standards by 1994, he added. To fund the program, K mart took a $640 million pretax charge against its fiscal 1989 results.

K mart's decision to pour more capital into store growth and modernization is part of an intensive effort to counter the rapid gains made by Wal-Mart and other rivals, including Target Stores. Although K mart remains the sales leader among mass merchants, Wal-Mart is growing far more rapidly in both overall and same-store sales, and is expected to surpass its older and more-established competitor in the near future.

To deal with the threat and spark a resurgence in sales and profits, K mart adopted a two-pronged strategy. The first part of that strategy has been efforts to refurbish, relocate and expand its stores; the second was a massive price reduction on about 5,000 name-brand, core items to "maintain our price leadership," said Antonini. The price reductions have squeezed profitability but positioned the chain for the long term, he added.

Remodeling pace heats up at Fred Meyer

PORTLAND, Ore. — Fred Meyer said it will enter its second year of accelerated growth, with five new "multi-department" stores opening and 10 others being remodeled in 1990.

This is up from last year's pace, when Fred Meyer opened four stores and remodeled 10, said Frederick Stevens, chairman and ceo.

Fred Meyer operates 126 stores, including 95 in the multi-department format; many have full supermarkets, and over 60 have drug store sections with pharmacies.

The innovative retailer also announced it will totally replace its existing Honeywell computer system, including point-of-sale terminals in the stores. The company will spend $60 million for a state-of-the-art MIS system based on IBM host computers, and IBM 4680 cash registers. The register conversion will be completed by early 1991, and the host system conversion by the end of 1992, Stevens said.

The decision to move from Honeywell to IBM was based on the availability of systems supporting various functions, plus "lower future costs associated with operating the new systems," he added.

As a result of costs from the computer overhaul, and other costs and non-cash charges stemming from its store growth program—which created $49 million in pre-tax write offs in the fourth quarter—Fred Meyer said it posted a loss of $6.8 million for the fiscal year ended Feb. 2. That compared with a $36.6 million profit the year before. Sales reached $2.28 billion, up from $2.07 billion in the prior year.

Stevens said the loss stems from a variety of moves designed to position the company for future success.

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OPINION

Drug store industry's vital signs strong

IN THE MARKET
BRUCE BUCKLEY

The pulse rate is good, the heart is healthy. There's far less of those lethal fatty deposits gunking up the arterial system.

What am I talking about? The drug store industry—particularly the chain drug portion of the industry. In our Annual Report published in this issue, we make note that in 1989 drug store sales were up by a strong nine percent, to $63 billion, while chain drug store sales alone rose 11 percent to $40 billion.

Why such a good year when other retail segments experienced the long overdue softening of consumer spending? There's more than one reason, of course, but the main one is the growth of the retail pharmacy business. It's become almost a cliché to talk about the far-reaching effect that a longer-lived population will have on the nation's drug stores. Explosion may be too strong a word, but it's not too far from reality. I mean, just mention the word gray and everyone starts seeing green.

Small wonder then that everyone is trying to get in on the act, from food stores to mass merchandisers to convenience stores to doctors to hospitals. It's like a poker game. The pots get big enough and everyone's adrenalin begins to pump. What the latest sales figures show is that the drug stores are so far holding their own against the high-stakes crowd. For prescriptions, consumers by and large still prefer the drug store's neighborhood convenience and small scale to the endless acres of the super food stores and giant discount chains. In consumers' minds, drug stores are still more convenient for having their latest roll of film developed, for picking up greeting cards or looseleaf paper, or for buying lipstick or eye shadow.

That's not to say the competition hasn't had an impact. Price pressures are forcing drug retailers into finding other ways of sustaining their bottom lines. Efficient distribution and inventory management have become crucial weapons in the battle to control costs. Just as important: retailers' endless efforts to fine-tune their mix for maximum turns. Investment in technology to drive these efforts grew every year in the eighties, and will continue to increase in the coming decade.

Meanwhile, greater investment is also being made in stores to create a pleasant shopping atmosphere and keep customers coming back. Look at what Eckerd, Perry, Pay Less, Walgreens, Arbor, Fantle's and Revco (to name just a handful) have done in revitalizing and maintaining their store base. It's clear there's more than one way to grow the business.

While the industry's prospects are good, there are some ominous trends ahead. Demographics feeding the business on one end will starve it on the other. Fewer younger people will be available to work in the stores, and the competition for future stock clerks, cosmeticians and managers will drive up salary scales. It's already happening in many places. The growth of third-party prescriptions will put more pressure on margins. And if that weren't enough, more and more stores will crowd the retail landscape.

It's enough to turn a drug store retailer gray. But this week, why not think green, right?

Leaders carefully eye Medicaid reforms

WASHINGTON PERSPECTIVE
KEN RANKIN

The granddaddy of third-party Rx plans—the Medicaid drug program—appears headed for major changes.

At first blush, that may sound like good news to the drug store industry which has been complaining about Medicaid Rx reimbursement for decades. But considering that Medicaid represents an increasingly critical source of revenue for many of the nation's retail pharmacies, industry leaders are carefully sifting through the implications of various Medicaid "reform."

What's in store for Medicaid? Here's a sample:

- The Health Care Financing Administration is pressuring state Medicaid officials to tighten the screws on participating pharmacies by curbing "Average Wholesale Price" drug reimbursement;
- The bi-partisan "Pepper Commission" on comprehensive health care wants to federalize the program as part of a controversial, $66-billion scheme to provide health insurance for all Americans;
- Chrysler's Lee Iacoccca and a number of other major corporate chieftans have joined with organized labor to press for a new national health insurance plan which would absorb Medicaid.

The most recent (and in some respects, the most radical) of these proposals to overhaul Medicaid was advanced late last month by the chairman of the Senate Aging Committee, David Pryor (D-Ark).

Pryor, you may recall, was urged by the National Association of Retail Druggists to investigate soaring manufacturer drug prices in general, and discriminatory pricing practices against drug stores in particular.

Officials at NARD and other drug store industry groups had hoped that Sen. Pryor would challenge the pharmaceutical industry's practice of offerng drugs to hospitals and other institutions at low-ball prices not available to retail pharmacies.

Instead, the new Medicaid "reform" proposal outlined by Pryor is designed to force manufacturers to negotiate prices with state Medicaid program officials—a practice that the drug industry has religiously avoided so far.

Under the plan, federal Medicaid officials would set up an outside "non-governmental" National Pharmacy and Therapeutics Committee responsible for compiling a list of "therapeutic equivalents" which could be used interchangeably to treat certain conditions.

Multi-state buying groups would then negotiate with pharmaceutical manufacturers of the listed therapeutic equivalents. The products of the lowest bidders would be designated "preferred drugs" and pharmacists would be expected to dispense them unless the prescriber specifically demands that the product or brand prescribed be dispensed.

For their part, pharmacists would not only be authorized to engage in therapeutic substitution, but would be required to do so. A separate provision of Pryor's plan would offer pharmacists immunity from liability resulting from the substitution of a "preferred" drug for the one prescribed.

As with the ill-fated Medicare "Catastrophic" Rx drug program, Pryor's proposal for revamping Medicaid would establish a nationwide electronic instore claims transmission and processing system, as well as pharmacy-based drug utilization review programs.

Details of pharmacy reimbursement under the new plan are skimpy, but Pryor would allow pharmacists to recoup product costs at the lower of the "actual charge" for the drug, or the 90th percentile of all actual charges in the state.

Is this plan the solution to pharmacy's problems with Medicaid? Hardly. At best, it's a well-intentioned scheme designed to cut government spending on drugs. At worst, its a proposal that could reduce the level of care available to the nation's needy and sidestep the concerns of Medicaid pharmacists.

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Annual Report Part I:

Chain volume up sharply

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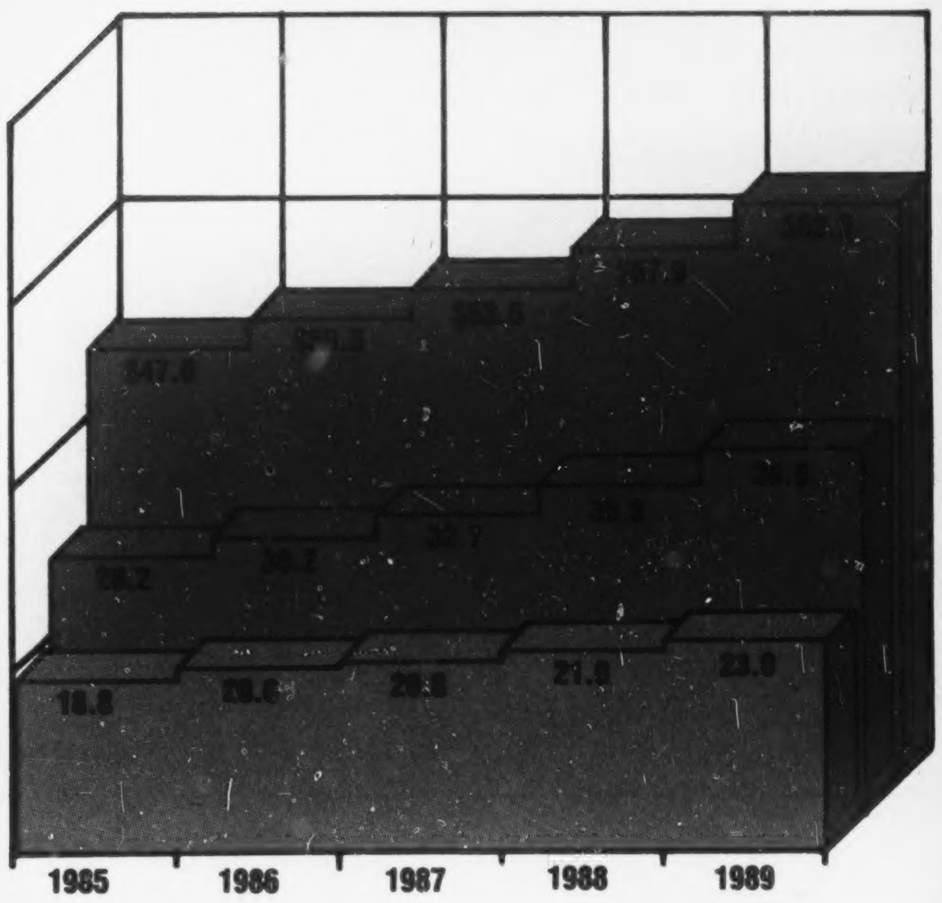
scheduling. Driving the investment in technological efficiencies was the need to cut costs in the face of greater and greater competitive pressures.

t the checkout counter, more chains tested or rolled out scanning systems, as the payback from labor savings, pricing accuracy, inventory control and shrink reduction made the investment more attractive. For the future, retailers see an even greater investment return from the information that scanners will provide, allowing them to tailor assortments to particular markets and react more quickly to sales trends.

Chains' sales share builds



Source: Nielsen Marketing Research

Rapidly developing technology was also transforming other areas of chain drug operations. For some technologically advanced companies, communication by satellite offered a faster and less expensive way for headquarters and stores to exchange information.

A handful of chains began to explore direct electronic links between themselves and selected, high-volume suppliers. The ultimate dream of this electronic data interchange, or EDI: faster and more accurate inventory replenishment, increased turns, and lower inventory carrying costs—all in a paperless environment.

Spurred on perhaps by the successful downsizing of several huge supermarket companies, one drug chain performed major surgery on its store base and other planned to follow suit. Peoples sold off sizable blocks of stores in Atlanta and the Midwest in order to concentrate on its successful mid-Atlantic region.

Revco, an LBO chain undergoing reorganization under Chapter 11, said it would sell more than 700 stores outside of its stronghold in the East. The markets targeted for sale included Texas (195 stores), Arizona (102 stores), Florida (55 stores), and Michigan (40 stores). There was plenty of interest from prospective buyers, Revco said.

Peoples' and Revco's need to slim down was the latest and most visible example of the failed growth policies of the seventies and early eighties, when expansion-minded chains competed with one another to acquire anything available.

The promised consolidation of the industry into a handful of mega chains seemed a distant dream, as new chains like SupeRx of Arizona and Reliable Drug continued to be formed. Still, the concentration of sales among the very top chains remained on the rise. By the end of the year, the top 10 chains controlled a 40 percent share of total drug store sales and an almost 63 percent share of all chain drug sales.

For some technologically advanced companies, communication by satellite offered a faster and less expensive way for headquarters and stores to exchange information.

Double-digit gains mark a strong '89

Evolving character of the chain drug industry

Chain store size	No. of companies 1979	No. of companies 1989	No. of companies % change	No. of stores 1979	No. of stores 1989	No. of stores % change
Two- to three-store companies	2,046	1,223	−40.2%	4,654	2,790	−40.1%
Four- to 10-store companies	498	377	−24.3	2,596	2,002	−22.9
11 or more-store companies	165	129	−21.8	12,514	18,425	47.2
Totals	2,709	1,729	−36.2	19,764	23,217	17.5

Source: *Chain Store Guides*

Average chain drug store performance

Company	Store size (sq. ft.)	Sell space	Sales per store	Sales per sq. ft.
Duane Reade	5,000	5,000	7,151,515	$1,430
Shoppers Drug Mart	7,000	5,700	4,104,265	720
Jean Coutu	9,000	7,700	5,487,805	713
Sedano's Pharmacy	7,000	6,500	4,500,000	692
Marc's	25,000	25,000	12,894,737	516
Rockbottom	17,000	16,000	8,148,148	509
A.D. Clark	15,000	12,000	5,842,105	487
Longs	24,000	18,000	8,510,379	473
Austin	12,000	10,000	4,722,222	472
F&M	24,000	17,000	7,386,667	435
Lawton's	4,800	4,100	1,716,216	419
Genovese	12,000	10,500	4,220,063	402
Kinney	8,000	6,500	2,548,387	392
Wellby	7,000	5,500	2,121,293	386
Walgreens	13,800	9,600	3,625,427	378
Arbor	10,800	[illegible]	3,450,552	371
Super D	5,000	5,000	1,728,155	346
Discount Drug Mart	22,000	17,000	5,481,481	322
Perry	9,840	9,840	3,000,930	305
Thayer	5,500	5,300	1,612,903	304
Fay's	13,879	11,237	3,298,851	294
American	21,360	16,660	4,852,878	291
Thrift	10,000	8,000	2,310,504	289
Douglas	15,000	14,000	3,723,875	266
Rix Dunnington	6,200	6,200	1,595,757	257
May's	8,000	7,000	1,800,000	257
Standard	5,600	5,300	1,350,000	255
Peoples	10,000	8,500	2,098,977	247
Pay Less NW	27,700	21,954	5,405,405	246
Drug Emporium	24,000	18,000	4,427,500	246
Eckerd	9,000	8,000	1,963,190	245
Snyder's	11,000	8,830	2,078,032	235
HSI	8,435	7,135	1,663,462	233
Taylor	9,000	8,300	1,884,615	227
Rite Aid	6,700	5,800	1,280,068	221
Snyder Bros.	8,500	8,500	1,850,000	218
Carls	12,000	9,500	2,040,816	215
K&B	14,265	12,563	2,600,000	207
Bill's	16,000	14,000	2,864,428	205
Big B	10,000	7,500	1,404,040	187
Crown	9,000	8,000	1,476,190	185
Kerr	9,600	8,800	1,569,892	178
Thrifty/White	12,000	9,900	1,679,138	170
Revco	8,460	8,450	1,430,365	169
Reliable	9,220	9,220	1,491,228	162
Harco	10,000	8,500	1,279,281	150
Fantle's	16,800	15,800	2,307,946	146
Phar-Mor	65,000	55,000	7,878,788	143

Source: *Drug Store News* 1990 chain drug survey

Top 50 American drug chains: 1989 dollar volume

Rank	Company	Headquarters	Drug store sales (in millions)	% change	Store totals	% change	FY ends
1.	**Walgreens**	Deerfield, Ill.	$5,380	13.2	1,484	4.8	8/31/89
2.	**American**	Oak Brook, Ill.	3,520	10.3	675	2.6	2/3/90
3.	**Eckerd**[1]	Clearwater, Fla.	3,200	10.3	1,630	3.2	2/3/90
4.	**Thrifty**[2]	Los Angeles	3,100	29.2	809	0.4	11/30/89
5.	**Rite Aid**	Shiremanstown, Pa.	3,012^{E}	10.4	2,353	8.4	3/3/90
6.	**Revco**	Twinsburg, Ohio	2,701	12.5	1,888	0.3	6/3/89
7.	**Longs**	Walnut Creek, Calif.	2,111	9.7	248	5.1	1/25/90
8.	**CVS**	Woonsocket, R.I.	1,950	15.5	789	4.9	12/31/89
9.	**Hook-SupeRx, Inc.**[3]	Cincinnati	1,730	35.2	1,040	1.2	8/31/89
10.	**Pay Less NW**	Wilsonville, Ore.	1,600	23.1	296	10.0	1/21/90
11.	**Phar-Mor**	Youngstown, Ohio	1,300	72.9	165	44.7	12/31/89
12.	**Thrift**	Pittsburgh	1,091	11.7	472	7.3	1/27/90
13.	**Drug Emporium**[4]	Worthington, Ohio	1,050	19.3	195	16.1	2/28/90
14.	**Peoples**	Alexandria, Va.	1,020	−32.0	486	− 39.8	12/30/89
15.	**Perry**	Pontiac, Mich.	645	− 0.2	215	− 3.2	10/31/89
16.	**F&M**	Warren, Mich.	554^{E}	19.9	75	13.6	1/31/90
17.	**Fay's**	Liverpool, N.Y.	528	7.3	174	13.7	1/27/90
18.	**Medicine Shoppe**[5]	St. Louis	454	17.6	821	8.7	9/30/89
19.	**Big B**	Bessemer, Ala.	418	53.9	297	45.6	2/03/90
20.	**Pic N' Save**	Jacksonville, Fla.	410^{E}	17.1	41	0.0	12/31/89
21.	**Genovese**	Melville, N.Y.	405	10.7	96	6.7	2/02/90
22.	**K&B**	New Orleans	390	4.0	150	0.7	9/30/89
23.	**Arbor**	Troy, Mich.	300	21.5	87	8.8	7/31/89
24.	**Marc's**	Middleburg, Ohio	245^{E}	24.4	19	26.7	6/30/89
25.	**Duane Reade**	Long Island City, N.Y.	236^{E}	9.8	33	3.1	12/31/89
26.	**Rockbottom**	Port Washington, N.Y.	220^{E}	10.0	27	3.8	1/31/90
27.	**Super D**	Memphis, Tenn.	178	7.2	103	1.0	4/30/89
28.	**SupeRx**	Phoenix, Ariz.	175^{E}	94.4	117	101.7	4/01/90
29.	**Fantle's**	Landover, Md.	171	−21.6	74	2.8	7/31/89
30.	**Reliable Drug**[6]	Indianapolis	170	NA	114	NA	2/24/90
31.	**Discount Drug Mart**	Medina, Ohio	148	9.6	27	3.8	3/31/90
32.	**Kerr**	Raleigh, N.C.	146	21.7	93	6.9	6/30/89
33.	**Drug Fair of N.J.**	Somerville, N.J.	134^{E}	12.6	32	3.2	7/31/89
34.	**Snyder**	Minnetonka, Minn.	129	10.3	62	1.6	7/29/89
35.	**Harco**	Northport, Ala.	115^{E}	9.5	90	16.9	7/31/89
36.	**A.D. Clark**	Los Angeles	111^{E}	1.8	19	0.0	12/31/89
37.	**SGC Drug Store Div.**	Woodbridge, N.J.	110^{E}	4.8	33	− 5.7	1/29/90
38.	**Carl's**	Rome, N.Y.	100	7.5	49	2.1	12/30/89
39.	**Thrifty/White**	Minneapolis	98	5.4	58	3.6	4/30/89
40.	**Taylor**	Louisville, Ky.	98^{E}	0.0	52	− 5.5	9/30/89
41.	**LaVerdiere's**	Winslow, Maine	95^{E}	9.2	60	1.7	1/31/90
42.	**Wellby**	Portland, Maine	87	17.6	41	13.9	12/30/89
43.	**Medi-Save**[7]	Baton Rouge, La.	86^{E}	0.0	86	− 3.4	5/31/89
44.	**Standard**	Richmond, Va.	81	5.2	60	− 9.1	3/31/90
45.	**Kinney Drugs**	Gouverneur, N.Y.	79	12.9	31	3.3	12/31/89
46.	**Dot Discount Drugs**	Bentonville, Ark.	74^{E}	5.7	14	0.0	1/31/90
47.	**Bill's**	Benecia, Calif.	72	5.9	25	0.0	4/1/90
48.	**Rix Dunnington**	Auburndale, Mass.	66^{E}	11.9	40	8.1	1/31/90
49.	**Douglas**	N. Providence, R.I.	60^{E}	1.7	16	6.7	3/31/90
50.	**Drug Town**	Chariton, Iowa	57^{E}	0.0	20	− 9.1	12/31/89

E = estimates

1. Includes Eckerd VisionWorks stores
2. Includes Thrifty, Pay 'n Save and Bi-Mart discount stores
3. Includes Hooks, SupeRx and Brooks stores
4. Includes company-owned and franchised stores
5. Data based on calendar year
6. Peoples' Midwest division acquired by Reliable Aug. 16, 1989. Sales figures are pro forma for year
7. Store count includes retail stores only, not institutional pharmacies

Source: *Drug Store News* 1990 chain drug survey

Top Canadian drug chains

Company	Headquarters	Drug store sales latest FY (Millions $ Canadian)	% change	Store totals	% change
Shoppers Drug Mart	Toronto	$2,356	13.7%	612	4.4
Jean Coutu	Longeuil, Québec	680	30.3	139	32.3
Pharma Plus Drugmarts (Formerly Boots)	Etobicoke, Ont.	280	NA	108	−38.0
Big V	London, Ont.	248	8	103	0.0
London Drug	Richmond, B.C.	200	NA	20	NA
Hy & Zell's	Toronto	154	NA	15	NA
Pinders	Saskatoon, Sas.	46	NA	20	NA

Source: *Drug Store News* 1990 chain drug survey

Drug chains show sales growth, investment gains

Chain drug store remodeling

Company	1987	1988	1989	'89 store totals
Eckerd	286	267	1,000+*	1,630
Rite Aid	146	245	237	2,353
Walgreens	119	60	166	1,484
Shoppers Drug Mart	24	22	58	633
Perry	NA	40	50	215
Medicine Shoppe	23	30	35	821
Thrifty	16	37	26	809
Thrift	25	14	24	472
Jean Coutu	5	8	18	164
Lawton's	NA	3	18	74
Big B	25	26	12	297
Phar-Mor	NA	NA	10	165
Medi-Save	7	3	10	86
Super D	NA	NA	10	103
Snyder's	4	5	8	62
Peoples	150	100	8	486
Genovese	5	5	6	96
Fay's	3	5	6	174
Fantle's	NA	0	5	74
Harco	3	3	5	90
Carl's	NA	1	5	49
Marc's	NA	0	5	19
Wil-Car	NA	3	4	55
Thayer	3	2	4	31
Duane Reade	4	5	4	33
Medic Drug	2	3	4	21
Pay Less NW	6	4	3	296
Saskatoon	NA	2	3	20
Standard	NA	2	3	60
Thrifty/White	3	4	3	58
Medicap	NA	0	3	68
May's	2	2	3	25
Austin	NA	1	3	9
Discount Drug Mart	2	3	3	27
Kerr	3	4	3	93
Kinney	2	2	3	31
Bartell	1	2	2	31
Reliable	NA	NA	2	114
F&M	2	6	2	75
A.D. Clark	NA	1	1	19
Douglas	1	1	1	16
Bill's	NA	2	0	25
Wellby	3	2	0	41
K&B	3	4	0	150
Rockbottom	5	5	0	27
Drug Emporium	10	8	NA	80
Taylor	4	4	NA	52
Revco	100	125	NA	1,888
American	19	5	NA	675

*Cumulative since LBO

Source: *Drug Store News* 1990 chain drug survey

Top 50 American drug chains: 1989 store totals

Rank	Company	Headquarters	Store totals	% change
1.	Rite Aid	Shiremanstown, Pa.	2,353	8.4%
2.	Revco	Twinsburg, Ohio	1,888	0.3
3.	Eckerd	Clearwater, Fla.	1,630	3.2
4.	Walgreens	Deerfield, Ill.	1,484	4.8
5.	Hook-SupeRx, Inc.[1]	Cincinnati	1,040	1.2
6.	Medicine Shoppe	St. Louis	821	8.7
7.	Thrifty[2]	Los Angeles	809	0.4
8.	CVS	Woonsocket, R.I.	789	4.9
9.	American	Oak Brook, Ill.	675	2.6
10.	Peoples	Alexandria, Va.	486	– 39.8
11.	Thrift	Pittsburgh	472	7.3
12.	Big B	Bessemer, Ala.	297	45.6
13.	Pay Less NW	Wilsonville, Ore.	296	10.0
14.	Longs	Walnut Creek, Calif.	248	5.1
15.	Perry	Pontiac, Mich.	215	– 3.2
16.	Drug Emporium[3]	Worthington, Ohio	195	16.1
17.	Fay's	Liverpool, N.Y.	174	13.7
18.	Phar-Mor	Youngstown, Ohio	165	44.7
19.	K&B	New Orleans	150	0.7
20.	SupeRx	Phoenix, Ariz.	117	101.7
21.	Reliable Drug[4]	Indianapolis	114	NA
22.	Super D	Memphis, Tenn.	103	1.0
23.	Genovese	Melville, N.Y.	96	6.7
24.	Kerr	Raleigh, N.C.	93	6.9
25.	Harco	Northport, Ala.	90	16.9
26.	Arbor	Troy, Mich.	87	8.8
27.	Medi-Save[5]	Baton Rouge, La.	86	– 3.4
28.	F&M	Warren, Mich.	75	13.6
29.	Fantle's	Landover, Md.	74	2.8
30.	Snyder	Minnetonka, Minn.	62	1.6
31.	LaVerdiere's	Winslow, Maine	60	1.7
32.	Standard	Richmond, Va.	60	– 9.1
33.	Thrifty/White	Minneapolis	58	3.6
34.	Taylor	Louisville, Ky.	52	– 5.5
35.	Carl's	Rome, N.Y.	49	2.1
36.	Wellby	Portland, Maine	41	13.9
37.	Pic n' Save	Jacksonville, Fla.	41	0.0
38.	Rix Dunnington	Auburndale, Mass.	40	8.1
39.	SGC Drug Store Div.	Woodbridge, N.J.	33	– 5.7
40.	Duane Reade	Long Island City, N.Y.	33	3.1
41.	Drug Fair of N.J.	Somerville, N.J.	32	3.2
42.	Thayer Pharmacies	Stoughton, Mass.	31	3.3
43.	Bartell	Seattle	31	0.0
44.	Kinney Drugs	Gouverneur, N.Y.	31	3.3
45.	Discount Drug Mart	Medina, Ohio	27	3.8
46.	Rockbottom	Port Washington, N.Y.	27	3.8
47.	Bill's	Benecia, Calif.	25	0.0
48.	Medic Discount Drug	Cleveland	21	5.0
49.	Drug Town	Chariton, Iowa	20	– 9.1
50.	Marc's	Middleburg, Ohio	19	27.7

1. Includes Hook, SupeRx, and Brooks stores
2. Includes Thrifty, Pay 'n Save and Bi-Mart stores
3. Includes 79 company-owned stores and 116 franchises
4. Acquired Peoples' Midwest Division Aug. 16, 1989
5. Includes retail stores only, not institutional pharmacies

Source: *Drug Store News'* 1990 chain drug survey

Ten-year drug store growth trend

Year	Total stores	Chain stores	Chain share	Indep. stores	Indep. share
1989	54,439	20,427	38	34,012	62
1988	54,172	19,859	37	34,313	63
1987	53,963	19,142	35	34,821	65
1986	52,800	18,310	35	34,490	65
1985	52,500	17,740	34	34,760	66
1984	52,139	17,194	33	34,945	67
1983	50,264	16,589	33	33,675	67
1982	49,527	16,144	33	33,383	67
1981	49,310	15,864	32	33,446	68
1980	49,192	15,615	32	33,577	68

Source: *Drug Store News* 1990 chain drug survey

Ten-year sales trends

(In billions of dollars)

Year	Total industry	% change	Total chain	% change	Total indep.	% change
1989	$62.9	9%	$39.9	11%	$23.0	5%
1988	57.9	8	36.0	10	21.9	5
1987	53.5	6	32.7	8	20.8	4
1986	50.2	7	30.2	7	20.0	7
1985	47.0	9	28.2	11	18.8	6
1984	43.2	9	25.5	12	17.7	5
1983	39.7	10	22.8	11	16.9	8
1982	36.2	8	20.5	11	15.7	5
1981	33.4	10	18.5	12	14.9	8
1980	30.3	12	16.4	16	13.9	7

Source: *Drug Store News* 1990 chain drug survey

Chain drug stocks 'thrill' investors in 1989

NEW YORK — Stocking up, considered a pursuit for the hearty since Black Monday shook the trees of small investors, brought some handsome rewards to the steely during the past 12 months.

Investors in chain drug stocks enjoyed the thrill of racing pulses in the year ended March 1, thanks to the year-to-date trajectory of Arbor Drugs.

The year-in-review chart on this page paints a colorful portrait of the chain drug store industry, as seen through the eyes of Wall Street. Arbor led the chain drug pack, advancing 67.1 percent to $18.25, while Drug Emporium, in stark contrast, fell 28.9 percent to $7.38 a share.

The *Drug Store News* Stock Index managed to add a hefty 271.91 points, or 11.3 percent, en route to a close of 2,689.58 for the 52-week trading session. This indicator paled, however, in comparison to its broader-based brethren, the Dow Jones Industrial Average and the Standard & Poor's 500-Stock Index; their advances were considerably more dramatic.

The Drug Store News *Stock Index managed to add a hefty 271.91 points, or 11.3 percent, en route to a close of 2,689.58 for the 52-week trading session.*

For example, the Dow Industrial flexed its muscles by 392.55 points, or 17.5 percent, to 2,635.59, despite the debilitating effects of the January freeze, when stocks traveled south in droves. In similar fashion, the S&P 500 forged ahead 45.63 points, or 15.9 percent, to finish at 332.74.

How did drug chains compare with each other over the past 12 months?

The bullish support of Arbor Drugs can be attributed to strong earnings produced by the regional operator. The 67.12-percent leap, to $18.25 per share, underlies the confidence investors have that management controls will keep expenses down as a percentage of sales, and that Arbor's strong merchandising and knowledge of its markets will keep the chain competitively sharp.

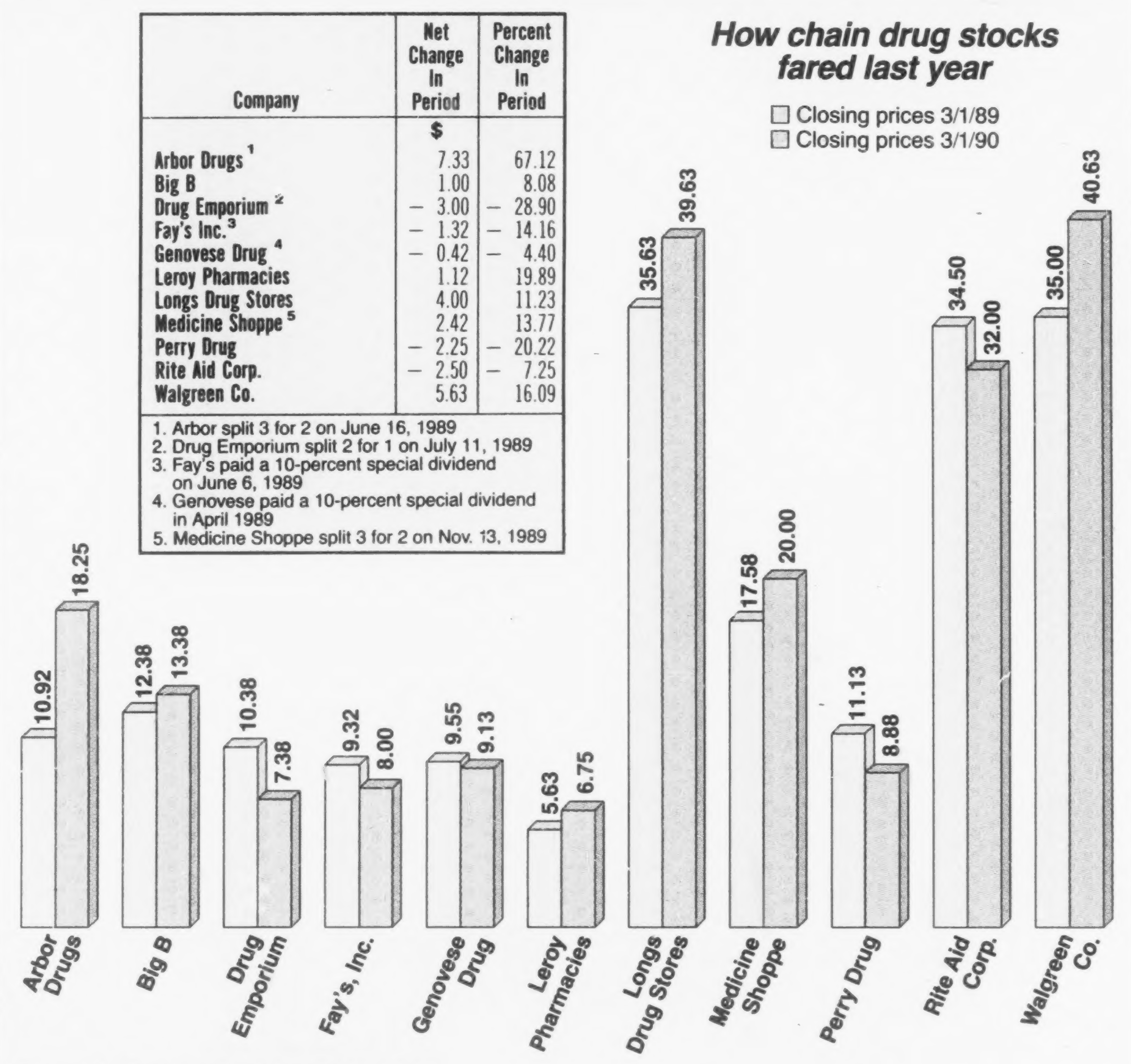
Drug Emporium stock, however, suffered over the past 12 months, falling $3.00 a share, or 28.9 percent, to $7.38. The chain's earnings were affected by the purchases of franchises in Minneapolis, Milwaukee and greater Los Angeles, and the buying of some non-deal merchandise in keeping with the deep discounter's policy of offering full selections.

Also on the sell side of the ledger, Perry Drug Stores fell $2.25 a share, or 20.22 percent, to $8.88. This was a matter of the stock price settling in at a reasonable price/earnings multiple, after earlier takeover speculation failed to culminate in a deal.

Rite Aid traded actively the past 12 months. The stock price apparently felt the impact of acquired stores' performances, as they are still being integrated, updated and maturing; the chain's exit from the video rental business; and disputed charges pending against president Martin Grass for alleged "bribery" of an Ohio Pharmacy Board member. Rite Aid lost $2.50 a share for the period, or 7.3 percent, en route to a close of $32.00.

Walgreen stock, on the other hand, gained $5.63 a share, or 16.1 percent, en route to a close of $40.63. The market supports a higher P/E multiple for many reasons: confidence that the chain's outstanding growth will be maintained, continued reinvestment in new stores and retail technology, cost cutting, management stability, improved market penetration and operating efficiencies.

Medicine Shoppe stock rose 13.8 percent in the year to $20.00 The issue has been a star performer among lower-capitalized retailers because investors perceive an almost unlmited opportunity for growth. The format can go almost anywhere, and the company has developed a well-tuned franchise program that requires relatively low startup costs. Medicine Shoppe, which has increased store count rapidly, has a very predictable earnings stream, in a business that is tied directly to positive demographic changes, such as the increasing elderly population.


How chain drug stocks fared last year

☐ Closing prices 3/1/89
☐ Closing prices 3/1/90

Company	Net Change In Period	Percent Change In Period
	$	
Arbor Drugs[1]	7.33	67.12
Big B	1.00	8.08
Drug Emporium[2]	– 3.00	– 28.90
Fay's Inc.[3]	– 1.32	– 14.16
Genovese Drug[4]	– 0.42	– 4.40
Leroy Pharmacies	1.12	19.89
Longs Drug Stores	4.00	11.23
Medicine Shoppe[5]	2.42	13.77
Perry Drug	– 2.25	– 20.22
Rite Aid Corp.	– 2.50	– 7.25
Walgreen Co.	5.63	16.09

1. Arbor split 3 for 2 on June 16, 1989
2. Drug Emporium split 2 for 1 on July 11, 1989
3. Fay's paid a 10-percent special dividend on June 6, 1989
4. Genovese paid a 10-percent special dividend in April 1989
5. Medicine Shoppe split 3 for 2 on Nov. 13, 1989

Source: Nordby International, Inc., Boulder, Colo.

Chains grab for brass ring on M&A merry-go-'round

For chains that were in a position to seize the opportunities, the climate this past year was favorable for acquisitions.

Early in the year, Peoples Drug Stores announced plans to divest itself of three blocks of stores, and Big B, Rite Aid and an investor group that subsequently formed Reliable Drugs were able to take advantage of the selloff. First Big B bought 85-store Reed Drug in Georgia, then Rite Aid acquired 114 former Lane Drug stores primarily in Ohio, and, in August, former Rite Aid executives Roger Grass and Charles Conaway, with a group of investors, purchased Peoples' 120 former Haag Drug stores mainly in Indiana.

The respective acquisitions put Big B in Atlanta in a big way, gave Rite Aid market dominance in Toledo and Canton, Ohio. . . and started Reliable Drugs off with a solid base of stores, primarily in Indiana.

The respective acquisitions put Big B in Atlanta in a big way, gave Rite Aid market dominance in Toledo and Canton, Ohio, as well as 103 more stores in the state (for a total of more than 360 units), and started Reliable Drugs off with a solid base of stores, primarily in Indiana. The divestiture put a slimmed-down Peoples in fighting trim, with about 490 stores in its strongest markets, to achieve profitability during the year.

Rite Aid subsequently acquired 19 stores from Lane Drugs, a small New Jersey-based chain, filling in a strategic area for Rite Aid in fast-growing counties of south-central New Jersey.

A family-owned drug chain, Dunaway Drug Stores, a fixture in metropolitan Atlanta's suburban Cobb County, became history when the Jack Eckerd Corp. acquired the 16-store chain in May. The takeover consolidated Eckerd's strong position in Atlanta and gave it five additional stores in northern Georgia.

Eckerd also bought Hilley's chain of seven stores in Texas in the fall, bolstering its Dallas-Fort Worth presence and adding three stores in smaller Texas communities.

In addition, Eckerd picked up 10 stores when Hook-SupeRx pulled out of North Carolina in the fall. Sources said HSI opted to leave its small-town markets there rather than add stores to improve efficiencies. The buy strengthened Eckerd's market share in the Win-

Continued on page 52

Scoreboard for publicly-held drug chains

Drug store units

Company	'85	'86	'87	'88	'89
Rite Aid	1,372	1,586	2,072	2,171	2,353*
Walgreens	1,095	1,273	1,356	1,416	1,484
Medicine Shoppe					821
Big B	126	150	183	204	300
Longs	208	222	229	236	248
Perry	191	203	222	222	215
Drug Emporium					193**
Fay's	139	150	155	153	174†
Genovese	75	79	83	90	96
Arbor	43	52	74	80	87

*Estimated
**80 corporately owned, 113 franchised.
†158 "super" drug stores, 16 bantam drug stores

Source: Company reports

Total corporate sales

(In millions of dollars)

Company	FY ends	'85	'86	'87	'88	'89
Walgreens	8/31/89	$3,162	$3,661	$4,282	$4,884	$5,380
Rite Aid	3/3/90	1,564	1,757	2,486	2,867	3,172*
Longs	1/25/90	1,480	1,635	1,772	1,925	2,111
Perry	10/31/89	552	648	726	667	670
Fay's	1/27/90	445	452	500	527	574
Medicine Shoppe	9/30/89					454**
Big B	2/3/90	175	210	249	271	418
Genovese	2/2/90	223	271	314	366	405
Drug Emporium						354†
Arbor	7/31/89	120	151	215	247	300

*Estimated
**Total retail sales for independent Medicine Shoppes
†Nine months ended 11/30/89

Source: Company reports

Net-to-sales ratio

Company	'85	'86	'87	'68	'89
Rite Aid	4.8%	4.3%	5.8%	3.3%	N/A*
Arbor	3.0	3.5	2.4	2.7	3.1
Walgreens	3.0	2.8	2.4	2.6	2.9
Longs	2.5	2.4	2.8	2.9	2.9
Fay's	0.6	0.9	1.2	1.9	1.8
Drug Emporium					1.6
Perry	1.8	0.9	**	**	1.1
Big B	2.3	2.1	2.9	2.7	0.9
Genovese	1.2	0.8	1.5	1.5	0.7
Medicine Shoppe					N/A

*To be announced 4/20/90
**Reported net loss

Source: Company reports

Net income

(In millions of dollars)

Company	'85	'86	'87	'88	'89
Walgreens	$94.2	$103.1	$103.5	$129.1	$154.2
Rite Aid	62.5	78.0	144.6	95.2	N/A*
Longs	37.7	38.6	49.2	55.9	61.3
Fay's	2.8	4.1	5.9	10.0	10.4
Arbor	3.6	5.3	5.2	6.5	9.2
Perry	9.6	5.9	(7.9)	(29.9)	7.1
Drug Emporium					5.5**
Big B	4.0	4.5	7.3	7.2	3.7
Genovese	2.9	2.0	4.6	5.5	2.7
Medicine Shoppe					N/A

*To be announced 4/20/90
**Nine months ended 11/30/89

Source: Company reports

Sales per average store

(In thousands of dollars)

Company	'85	'86	'87	'88	'89
Longs	$7,155	$7,367	$7,740	$8,300	$8,510**
Drug Emporium					5,500*
Genovese	3,107	3,427	3,727	4,071	4,404
Walgreens	2,765	2,769	3,063	3,356	3,710
Arbor	2,800	2,913	2,909	3,300	3,513
Fay's	3,112	2,645	2,705	2,878	3,200**
Perry	2,007	2,399	2,477	3,000	3,000
Big B	1,190	1,288	1,322	1,330	1,500
Rite Aid	1,057	1,108	1,149	1,257	1,302*
Medicine Shoppe					577†

*Estimate
**Super drug stores only
†Independents 1 year old and older

Source: Company reports

Gross margin percentage

Company	'85	'86	'87	'88	'89
Big B	29.2%	29.7%	30.2%	N/A	30.4%
Fay's	23.7	26.8	27.8	29.6%	30.2
Genovese	28.9	29.1	29.7	29.0	29.8
Arbor	28.3	29.2	28.8	28.7	28.6
Walgreens	30.7	30.3	29.9	29.0	28.5
Rite Aid	28.7	28.6	28.0	28.2	N/A*
Perry	31.7	31.1	30.5	26.1	28.4
Longs	24.2	24.1	25.3	24.9	25.0
Drug Emporium					20.6
Medicine Shoppe					N/A

*To be announced 4/20/90

Source: Company reports

Expense ratio

(Excluding depreciation and amortization costs)

Company	'85	'86	'87	'88	'89
Drug Emporium					17.4%**
Longs	19.3	19.2	19.8	20.1	20.2
Rite Aid	19.5	19.7	20.4	21.4	N/A*
Arbor	22.7	22.8	23.9	23.8	21.3
Walgreens	24.2	25.0	25.4	24.4	23.8
Perry	27.8	28.2	28.0	26.3	24.2
Big B	24.2	24.3	24.4	N/A	26.0
Genovese	28.1	27.5	26.8	26.4	26.7
Fay's	20.8	23.6	25.8	29.6	27.4
Medicine Shoppe					N/A

*To be announced 4/20/90
**SGA, including depreciation, not counting interest

Source: Company reports

Return on equity percentages

Company	'85	'86	'87	'88	'89
Walgreens	21.0%	19.9%	17.6%	19.3%	20.1%
Arbor	38.9	24.4	14.7	16.3	19.0
Medicine Shoppe					18.6†
Fay's	4.6	6.8	10.8	17.6	16.4
Perry	13.3	7.4	*	*	15.3
Longs	13.5	13.3	16.4	18.1	12.3
Genovese	12.7	8.1	17.6	18.2	7.8
Big B	12.5	12.9	12.4	N/A	5.5
Rite Aid	16.6	19.6	28.3	15.8	N/A**
Drug Emporium					N/A††

†Corporate only
*Reported net loss
**To be announced 4/20/90
††To be announced at the end of April 1990

Source: Company reports

The year's acquisitions activity

Company	Acquisition	Store locations
Reliable Drugs	120 former Peoples (Haag) stores	Indiana, Iowa, Illinois and Kentucky
Rite Aid	114 former Peoples (Lane Drug) units	Ohio, Pennsylvania, Indiana
	19 Lane Drugs of New Jersey stores	South-central New Jersey
Eckerd	16 Dunaway Drugs stores	Georgia (Atlanta, northern Ga.)
	10 SupeRx stores from Hook-SupeRx	North Carolina
	7 Hilley's stores	Texas
Thrift Drug	10 stores from SupeRx of Arizona	Georgia
Jean Coutu Group (PJC)	15 Clouthier drug stores from Metro Richelieu of Quebec	Quebec, Canada
Hook div. of HSI	13-store Cavett Rexall	Illinois
Four-person investment and management group	14 Dot Discount Drugs stores from Wal-Mart	Kansas, Missouri, Iowa and Nebraska
Big B	85 Reed Drug stores from Peoples	Georgia

Source: *Drug Store News* research

1989: It was a very good year for acquisitions

Continued from page 49

ston-Salem market, giving the chain two additional stores in Winston-Salem and one in High Point, and brought Eckerd's store count in the state to 183.

HSI's Hook division agreed in October to buy the Cavett Rexall chain, based in Chicago Heights, Ill., giving Hook 13 stores, mainly in the Chicago metropolitan area.

Also last fall, SupeRx of Phoenix sold 10 stores in Georgia to Thrift Drug, which planned to convert them to the Treasury Drug format.

Dot strengthens markets

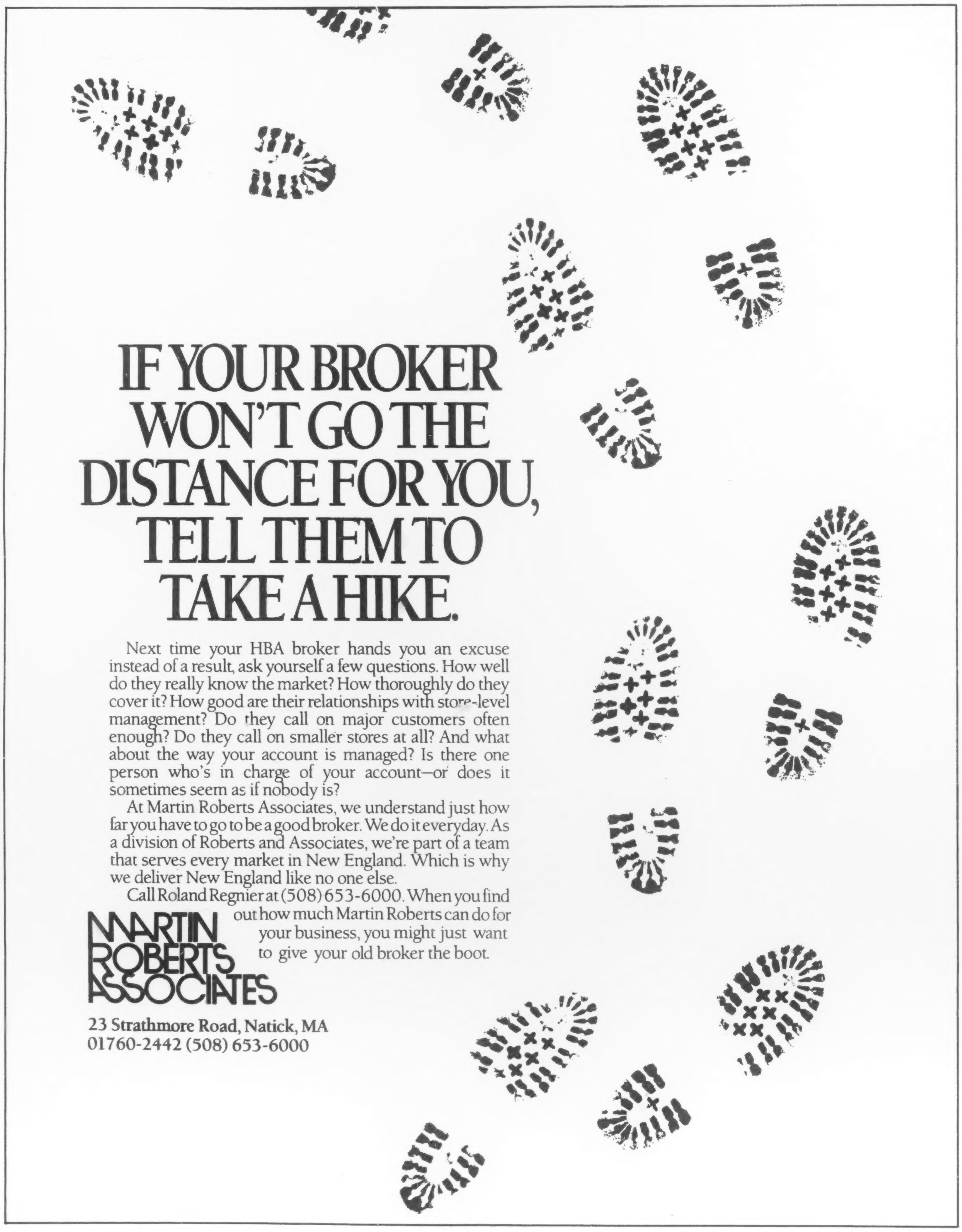
This February, a four-person investor and management group, including former Gray Drug Fair and Medicare-Glaser executive Jerry Gaddis, bought 14-store Dot Discount Drugs from Wal-Mart. Dot currently operates five stores in Kansas City, three units each in St. Louis and Des Moines, Iowa, two in Wichita, Kan., and one in Lincoln, Neb. The new owners said plans are to open more stores in existing markets first and then expand into new markets.

HSI's Hook division agreed in October to buy the Cavett Rexall chain, based in Chicago Heights, Ill., giving Hook 13 stores, mainly in the Chicago metropolitan area.

In Canada, the Jean Coutu Group (PJC) bought 15 of 23 Clouthier drug stores from Metro Richelieu of Quebec toward the end of the year.

The nation's largest drug wholesaler, McKesson, looked to Canada early this year for expansion opportunities and moved to acquired Medis Health and Pharmaceutical Services, in a two-phase deal with Provigo Inc. of Montreal.

Medis, based in Kirkland, Québec, is Canada's largest pharmaceutical distributor and the only one with nationwide distribution.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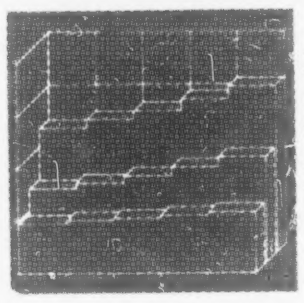
Store formats continue to evolve in quest for customers



In ample recognition of the fact that retailing is a constantly evolving process, drug, combo and discount store chains around the nation continue to tinker with their store formats. Their efforts range from slight adjustments in merchandise presentation and mix, to complete store overhauls and the development—from scratch—of completely new floor plans, decor packages, fixturing and departments.

Whatever efforts most chains are making to keep their shopping formats and mixes fresh, their reasons are the same: all are trying to adapt to consumer demands with stores that are convenient, well-merchandised and even fun to shop.

"We're providing a shopping experience, rather than a trip to the drug store," noted Tony Civello, executive vp-stores for Thrift Drug, in a recent talk with *Drug Store News*.

Civello was talking about Thrift's striking new store format, which emphasizes easy pharmacy access, wide aisles and maximum department visibility.

Thrift's new prototype, billed as a "New World of Drug Store Shopping," features a 10-foot-wide central power aisle which connects the store's new V-shaped pharmacy to other core departments laid out in three main shopping themes, called Drug World, Beauty World and Convenience World.

That 8,500-square-foot prototype is one of several completely new formats being rolled out by drug chains and their competitors. Others efforts include Revco D.S., K mart, Wal-Mart and Pay Less NW.

Revco's new format, first unveiled in Bedford Heights, Ohio last spring, is now serving as the model for new stores and retrofits, with some elements of the design being used in many locations. It features angled aisles, a more prominent pharmacy, graphic departmental presentations and lower gondolas for greater visibility and shopping ease.

Pay Less is reportedly posting double-digit gains in its prototype stores, which first appeared in Cameron Park, Calif., early last year. The new format comes in three store sizes for flexibility of real estate opportunities and merchandise presentation; they emphasize pharmacy, cosmetics, toiletries and consumer electronics.

Meanwhile, both Walgreens and SupeRx of Arizona have successfully tested versions of a small-pharmacy format for use in tight urban locations. The tiny stores feature full pharmacy counters and popular OTC products in settings as small as 1,500 square feet.

Both K mart and Wal-Mart are also rolling out new retail formats as they battle for discount store leadership in many markets. K mart's new "Store for the '90s," now in the beginning stages of an accelerated rollout, gives greater emphasis to pharmacy and H&BAs. Wal-Mart, meanwhile, has opened the first examples of its new "vendor store" concept.

Drug chains are feeling the heat of combos, such as Jewel/Osco, who aggressively merchandise core drug store items to heavy traffic.

Food chains are still hot on the combo expansion trail

At last year's annual convention of the Food Marketing Institute, supermarket industry executives spent a lot of time learning how to be better drug and H&BA merchants. No less than five workshops and seminars were devoted to pharmacy, H&BA and general merchandise topics.

At one well-attended seminar, an executive with McKesson Drug Co. predicted that supermarket pharmacies will increase by 20 percent over the next two years. "Almost all of those currently operating in-store pharmacies plan to open more [and] almost a

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Challenges don't deter off-pricers' expansion plans

Deep-discount drug stores are no picnic to run.

They offer a slew of tough challenges to hardy retailers: razor-thin gross margins as low as 15 percent; formidable inventory carrying costs that sail past $1 million per store; a high break-even point; high real estate costs; and a consumer base which may know little or nothing about the concept (a headache that is fast disappearing as off-pricers penetrate more and more markets throughout the country).

Indeed, the retail landscape of the 1980s was littered with abandoned and short-lived ventures into deep discounting, as drug chains such as Peoples, Pay Less and Shoppers Drug Mart grew tired of the problematical format and sold, converted or closed their off-price stores. The latest to join the list was Total Plus, a chain of five off-price drug stores shuttered by Fantle's Drug Stores.

Even Wal-Mart Stores sold its 14 Dot drug stores to a local management group in Kansas City early this year.

Nevertheless, off-price chains, independent drug store entrepreneurs and drug chains themselves continue to leap eagerly into the deep-discount fray, opening new stores and new markets at a still-furious pace, with nearly 1,000 such stores now open nationwide.

In 1989, at least two more drug chains entered the off-price game with their first deep-discount drug stores—Harco with its first Drug Mart in Tuscaloosa, Ala.; and Genovese building its first two Great American stores on Long Island. The S.E. Nichols discount store chain recently announcedits planned conversion into large-scale off-price outlets named Pharmhouse.

Indeed, the retail landscape of the 1980s was littered with abandoned and short-lived ventures into deep discounting.

In 1989, the nation's top two off-price drug chains, Phar-Mor and Drug Emporium, both broke through the billion-dollar sales mark, and F&M pushed past the $500 million level.

In terms of growth, meanwhile, all three remain on a tear. Phar-Mor boosted its store count another 45 percent last year while driving into new markets like Detroit, Phoenix and Denver. The chain, which now operates in 18 states, also beefed up its position in states like Florida, Pennsylvania, Atlanta and Houston.

Drug Emporium, meanwhile, has stepped up its store-opening pace with plans for as many as 60 new units by the end of next year. The chain operates in 25 states coast-to-coast, and plans to add new stores in markets like Los Angeles, Minneapolis, metropolitan New York, Washington, D.C./Baltimore, and New England.

Also on a fast expansion track is F&M, which has tripled in size in the past five years since moving well beyond its home base in Michigan. The chain unveiled plans to move into Minneapolis last year, while building additional market strength in Baltimore-Washington, Chicago, Detroit and Milwaukee.

Meanwhile, regional off-pricers like Freddy's, Big B's Drugs for Less and Joel & Jerry's turned up the competitive heat in Florida, while Marc's added to its lock on off-price retailing in Northeastern Ohio.

Pharmacy at deep discounters

(Ranked by number of Rx depts.)

Company	No. of stores	Stores with Rx		Computerized depts.	
		No.	%	No.	%
Phar-Mor	165	164	99%	164	100%
Drug Emporium*	80	80	100	80	100
F&M	75	41	55	41	100
Drug Palace	40	40	100	40	100
Freddy's	25	24	96	24	100
Drugs for Less	16	16	100	16	100
A.L. Price	16	16	100	16	100
Dot	14	14	100	14	100
Rockbottom	28	13	46	0	0
Rx Place	11	11	100	11	100
Marc's	19	10	53	10	100
Drug Castle	10	9	90	9	100
Drug World	9	9	100	9	100
Sid's	7	7	100	7	100
Cost Cutters	8	6	75	4	67
Maxidrug	4	4	100	4	100
Price Less	2	2	100	2	100
Ike's	4	1	25	NA	NA
Great American	2	2	100	2	100

*Company-owned stores

Source: *Drug Store News* 1990 chain drug survey

Mass merchandisers with pharmacy

Company	Headquarters	No. of stores in '90	No. of Rx depts.	% with Rx depts.	No. of Rx depts. in '89
K mart	Troy, Mich.	2,167	1,125	52%	1,080
Wal-Mart	Bentonville, Ark.	1,405	950	68	765
Shopko	Green Bay, Wis.	116	116	100	84
Fred Meyer	Portland, Ore.	101	100	99	96
Pamida	Omaha, Neb.	169	46	28	35
Venture	St. Ann, Mo.	76	10	13	12
Fedco	Santa Fe Springs, Cal.	9	9	100	9
Target	Minneapolis	409	0	0	21

Source: *Drug Store News* survey, Chain Store Guides

Food chains hot on combo trail

Continued from page 53

third of the supermarket chains which do not currently operate pharmacies plan to open some within the next year," noted Eugene Bannon, director of sales planning for McKesson.

Indeed, the nation's food retailers continue to enter the drug store arena in droves, lured by the higher margins and one-stop appeal of Rx, H&BA and GM.

"I can't imagine a circumstance where we'd open a noncombo store at this point," noted Vons spokesperson Mary McAboy early this year.

Vons is part of a growing number of major food chains with pharmacy departments at near-total levels in its stores; other examples include H.E. Butt in Texas, with Rx counters in seven of every 10 of its units; Pathmark, with 92-percent pharmacy saturation; Smith's Food and Drug, with pharmacies in all but five of its 93 stores; and Giant Food, with 66-percent Rx penetration.

Some big food retailers, meanwhile, have pharmacies in all their stores. Among them: Skaggs Alpha Beta, King Soopers in Denver, Raley's in northern California, Buttrey Food-Drug in the Northwest, and Smitty's Super Valu in Phoenix.

The massive shift of food chains into traditional drug store categories has roiled the competitive balance in drug store markets around the U.S. and Canada, despite the fact that many chains have yet to perfect their Rx and H&BA marketing and merchandising strategies. Among the most successful: veterans Raley's, Vons, Albertson's, H.E. Butt and Kroger, and those which have successfully developed both sides of the business, such as American Stores' Jewel/Osco.

Also roiling markets at the end of the 1980s and the beginning of the new decade have been the unchecked expansion and consolidation going on in the supermarket industry. The breakup of much of Safeway in the late 1980s, for instance, created a slew of new regional competitors and gave Vons entry into Southern California.

Many combo store operators have accelerated their growth plans for the 1990s. Safeway, for instance, has launched a major spending program to open and renovate stores, despite still-high debt levels following its LBO four years ago.

In the mid-Atlantic region, Giant Food is flexing new expansion muscles.

The Phoenix market is also heating up as homegrown Smitty's Super Valu contends with new entrants like Smith's and a host of strong national and regional drug chains. Meanwhile, Jewel/Osco and Dominick's continue in a race to open new combos and superstores in Chicago, while Cub Foods aims new stores at Minneapolis and Atlanta.

Leading supermarket companies with pharmacies

Company, headquarters	Total stores	No. with Rx depts.	% with Rx depts.
Kroger, Cincinnati	989	473	47.8%
Safeway, Oakland, Calif.	1,131	415	36.7
Albertsons, Boise, Idaho	501	226	45.1
Jewel Osco, Melrose Park, Ill.	222	141	63.5
Pathmark, Woodbridge, N.J.	142	131	92.3
Vons, El Monte, Calif.	328	117	35.7
H.E. Butt, Corpus Christi, Texas	155	107	69.0
Giant Food, Landover, Md.	147	97	66.0
Smith's Management, Salt Lake City	93	88	94.6
Skaggs Alpha Beta, Richardson, Texas	87	87	100.0
Shop Rite, Wakefern Foods, Elizabeth, N.J.	174	84	48.3
Lucky Stores, Dublin, Calif.	348	78	22.4
A&P Supermarkets, Montvale, N.J.	1,250	75	6.0
King Soopers, Denver, Colo.[1]	66	66	100.0
Safeway Stores, Houston	101	66	65.3
Furr's, Lubbock, Texas	144	64	44.4
Raley's, Sacramento, Calif.	56	56	100.0
Buttrey Food-Drug, Great Falls, Mont.[2]	53	53	100.0
Kash 'n Karry, Tampa, Fla.	116	46	39.7
Giant Eagle, Pittsburgh	106	45	42.5
Tom Thumb/Page, Dallas	73	43	58.9
Grand Union, Elmwood Park, N.J.	304	37	12.2
Farm Fresh, Norfolk, Va.	59	36	61.0
Randall's, Houston	39	35	89.7
Dillon's, Hutchinson, Kans.[1]	61	33	54.1
Wegman's, Rochester, N.Y.	40	32	80.0
Stop & Shop, Quincy, Mass.	116	30	25.9
Schnuck's, St. Louis, Mo.	56	30	53.6
National Supermarkets/Kare Pharmacy, St. Louis	56	30	53.6
Smitty's Super Valu, Phoenix, Ariz.	24	24	100.0
Sack 'n Save, Minyard's, Coppel, Texas	73	24	32.9
Consumers Markets, Springfield, Mo.	37	23	62.2
Publix, Lakeland, Fla.	364	21	5.8
Hannaford Bros., Scarborough, Maine	72	17	23.6
Bruno's, Birmingham, Ala.	220	16	7.3
Dominick's Finer Foods, Northlake, Ill.	90	15	16.7
Erickson Food & Valu Drug, Hudson, Wis.	14	14	100.0
Carr's Quality Centers, Anchorage, Alaska	13	13	100.0
Dahl's Food Markets, Des Moines, Iowa	13	13	100.0
Foodway, Fayette, Ala.	32	10	31.3

1. A division of Kroger
2. A division of American Stores

Source: Chain Store Guides

Top deep discounters

Company (parent)	Headquarters	$ sales (millions)	% change	Stores	% change
Phar-Mor	Youngstown, OH	$1,300	73%	165	45%
Drug Emporium*	Worthington, Ohio	1,050	19	195	16
F&M	Warren, MI	554E	38	75	14
Pic 'N Save (Nat'l Merchandise Co.)	Jacksonville, FL	410E	17	41	0
Marc's	Middleburg, OH	245E	24	19	27
Rockbottom	Port Washington, NY	220E	10	27	4
Freddy's (Melville)	Woonsocket, RI	162	25	25	39
Drug Palace (Rite Aid)	Shiremanstown, PA	81E	4	40	0
Dot (Wal-Mart)	Bentonville, AR	74E	6	14	0
A.L. Price (Perry)	Pontiac, MI	54E	10	16	17
Rx Place (Woolworth)	New York, NY	53E	15	11	37
Drug World (SupeRx)	Cincinnati	39E	22	13	44
Drugs for Less (Big B)	Bessemer, AL	39E	NA	16	45
Cost Cutters (Community Distributors)	Somerville, NJ	36E	NA	8	0
Sid's	Hudson, OH	30E	7	7	0
Joel & Jerry's	Largo, FL	25E	4	6	0
Drug Castle (Brown)	Springfield, OH	24E	20	3	
Price Less	Sacramento, CA	15	45	2	0
Ike's (Super D)	Memphis	15E	25	4	33
Maxidrug (Coutu)	W. Springfield, MA	12E	−20	4	− 20
Great American (Genovese)	Melville, NY	5E	42	2	100

* Company-owned and franchised stores

Source: *Drug Store News* 1990 chain drug survey

E = estimate

Retail diversification of major retail chains

Company	Store type	No. of stores 1988	1989
Harco	Auto parts	24	29
Medic Discount Drug	Home health	1	1
May's	Deep discount	4	5
Walgreens	Home health	4	4
Jean Coutu	Deep discount	3	5
Eckerd	Eye care superstores Optical Express photo labs	14 81 64	29 71 126
Medi-Save	Optical	3	4
Douglas	Optical	2	3
Rix Dunnington	Deep discount	1	1
Thrifty/White	Card shops	2	2
Genovese	Deep discount Photo supplies	1 1	2 1
Big B	Home health Deep discount	5 11	5 16
Peoples	Home health	2	2
Rite Aid	Deep discount Book stores Dry cleaning	28 40 0	40 47 152
Fay's	Auto parts Stationery Drug store w/o Rx	14 12 1	24 17 1
Thrift	Home health	4	5
Shoppers Drug Mart	Deep discount Convenience foods Home health	11 16 15	11 24 17

Source: *Drug Store News* 1990 chain drug survey

Computerization helps chains control costs, stay competitive

Drug chain executives are increasingly eyeing technology as the best way to control costs and sharpen their competitiveness in the '90s.

Chains are finding applications for technology throughout their businesses, from store aisles to the back office and the warehouse. Clearly, the trade is in the discovery phase and it will be some time before retailers realize the full potential and benefits from POS scanners, automated warehouse systems, electronic data interchange and more.

POS advancements

The greatest advancement made by drug chains in 1989 was in point-of-sale technology. Many store operators completed their tests of systems, made their choices and rolled out, generally favoring systems by IBM and NCR.

The good news for mid-sized store operators: prices of POS systems have come down to the point where they make economic sense.

Doubled installation

Thrifty Drug, among the larger chains, is a good example of a large chain committing further to technology: it plans to double IBM POS systems in 1990, the second year of its rollout, and is developing ways to analyze data and reach effective merchandising conclusions.

Thrifty had 30 stores with scanning last April, and by this March, 160 installations, or 19.8 percent of its store base.

Overall, drug chains roughly doubled the installations of new file-based POS systems with scanning since last April. As of this March, 23 chains had scanning systems, compared with 17 chains last April. During this period, installations rose to 2,688 from 1,213.

For its part, F&M, the deep discounter, became the first chain to go 100-percent-POS, using a NCR Tower system and 2126 POS terminals. A year ago, F&M was the only chain to have over 50 percent of its stores scanning; by last month, four other chains had also passed the halfway mark.

Pay Less Drug Stores NW scans in 205 stores, or 69.3 percent of the chain; Fay's Drug, with 96 installations, scans in 55.5 percent of stores; Thrift boasts a 71.4-percent installation rate, at 337 stores; Fantle's equipped 45 stores, or 60.8 percent of its base.

Other large gainers were Walgreens, which went from 12 stores to 188 (12.7 percent of the chain); Revco, 70 stores to 480 (25.4 percent), and Big B, 100 stores to 145 (48.8 percent).

Continued on page 65

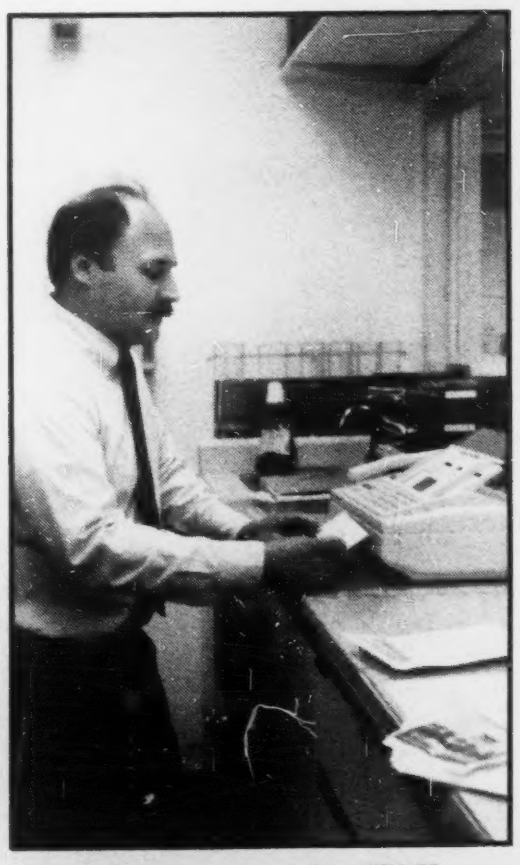
Overall, drug chains roughly doubled the installations of new file-based POS systems with scanning since last April. As of this March, 23 chains had scanning systems, compared with 17 chains last April.

Top warehousing drug chains

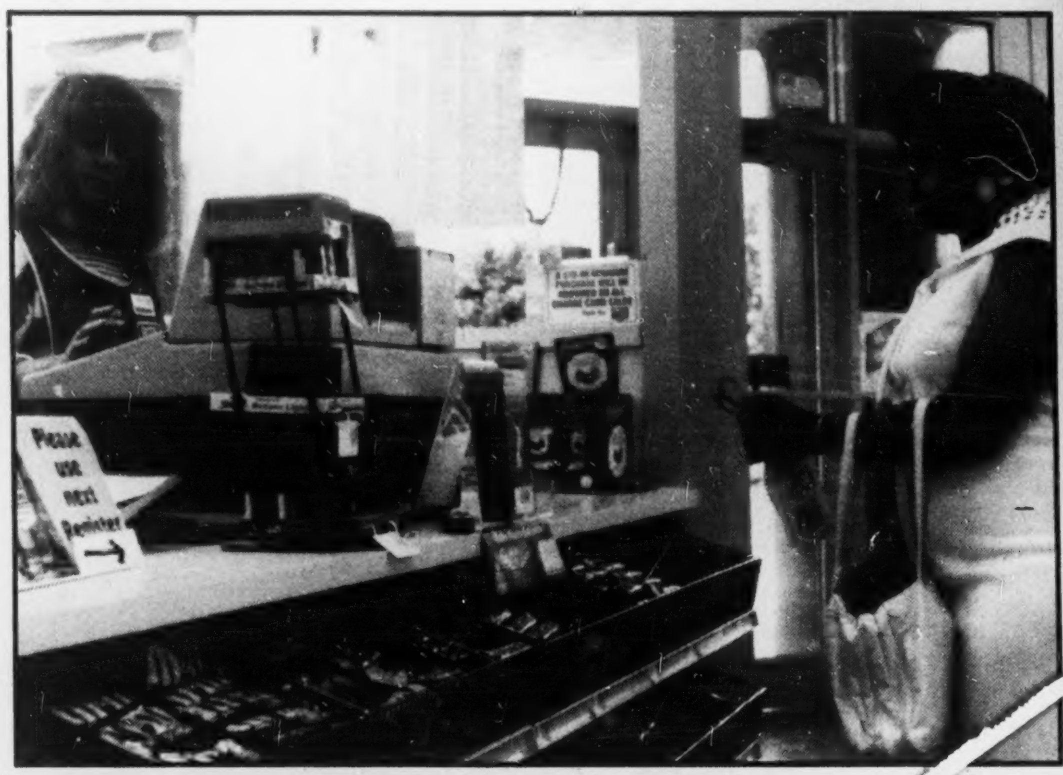
(Ranked by 1990 distribution center square feet)

	1989		1990	
Company	No. of DCs	Total sq. ft.	No. of DCs	Total sq. ft.
Walgreens	7	2,378,000	7	2,378,000
CVS	3	1,500,000	4	2,075,000
Revco	9	2,454,322	8	2,070,622
Eckerd	6	1,860,000	6	1,860,000
Thrifty	7	1,720,000	8	1,840,000
Rite Aid	5	1,598,000	5	1,389,000
Peoples	8	1,663,000	5	1,023,000
Pay Less NW	2	1,000,000	2	1,000,000
Fay's	2	640,000	2	730,000
Thrift	3	668,572	3	668,572
Fantle's	2	620,000	2	620,000
Longs	4	221,000	4	460,000
K&B	2	453,000	2	453,000
Big B	1	240,000	2	400,000
Snyder's	1	360,000	1	365,000
Wellby	1	280,000	1	280,000
Genovese	1	265,000	1	255,000
Jean Coutu	2	250,000	2	250,000
Reliable Drug			1	250,000
Arbor	1	233,600	1	233,600
Rockbottom	1	200,000	1	200,000
Wil-Car	1	360,000	1	193,000
Harco	1	130,000	2	185,000
Discount Drug Mart	1	95,000	1	160,000
Duane Reade	1	155,000	1	150,000
Standard	1	116,000	1	126,000
Medicine-Shoppe	3	120,000	2	120,000
Kinney	1	120,000	1	115,000
Carl's Drug	1	114,000	1	114,000
Kerr	1	128,000	1	108,000
Taylor	1	100,000	1	100,000
F&M	1	77,000	1	77,000
Crown			1	60,000
Bartell	1	32,000	1	50,000
Bill's	1	49,000	1	45,000
Medic Discount Drug	1	17,000	1	38,500
Thayer	1	37,500	1	37,500
Lewis	1	28,800	1	28,800
Medi-Save	1	28,000	1	28,000
Saskatoon	1	25,000	1	25,000
Douglas	1	33,000	1	25,000
May's	1	15,000	1	20,000
Austin	1	13,000	1	13,000
Snyder Bros.	1	3,000	1	3,000
Medicap	1	1,500	1	1,500
American	5	1,420,945	7	N/A

Source: *Drug Store News* 1990 chain drug survey



Some chains are using FAX machines, such as this one in a Giant Food store, to communicate with vendors and shorten order/delivery lead time.



SASI terminals used by Rite Aid are largely eliminatin tem price marking, and they allow central price changes and ase cash balancing at the end of each day.

Pharmacy computers in ain drug stores

Company	o. of Rx stores	No. with pharmacy computers	% with pharmacy computers
Rite Aid	2279	2279	100.0
Revco	1888	1888	100.0
Eckerd	1605	1605	100.0
Walgreens	1429	1429	100.0
Hook-SupeRx	974	974	100.0
Medicine Shoppe	821	739	90.0
Thrifty	808	808	100.0
American	675	675	100.0
CVS	582	582	100.0
Peoples	486	486	100.0
Thrift	472	461	97.7
Big B	291	291	100.0
Pay Less NW	290	290	100.0
Longs	248	248	100.0
Perry	215	215	100.0
Fay's	174	174	100.0
Jean Coutu	164	18	11.0
K&B	150	150	100.0
SupeRx of Ariz.	117	117	100.0
Medi-Save	116	97	83.6
Reliable	112	112	100.0
Super D	102	102	100.0
Genovese	96	96	100.0
Arbor	93	93	100.0
Kerr	93	93	100.0
Harco	89	89	100.0
Drug Emporium*	80	80	100.0
Lawton's	74	60	81.1
Fantle's	69	69	100.0
Medicap	68	53	77.9
Snyder's	61	61	100.0
Thrifty/White	58	58	100.0
Taylor	52	52	100.0
Carl's	49	49	100.0
Standard	45	45	100.0
Wellby	41	41	100.0
F&M	41	41	100.0
SGC Drug Store Div.	33	33	100.0
Duane Reade	33	33	100.0
Thayer Pharmacies	31	31	100.0
Kinney	31	31	100.0
Bartell	31	31	100.0
Discount Drug Mart	27	27	100.0
May's	25	25	100.0
Bill's	25	25	100.0
Medic Discount Drugs	21	21	100.0
Crown Drugs	21	21	100.0
Saskatoon	20	20	100.0
A.D. Clark	19	19	100.0
Marc's	19	10	52.6
Douglas	16	16	100.0
Austin	9	9	100.0

*Company-owned stores only

Source: *Drug Store News* 1990 chain drug survey

Drug chains charge full-tilt into technological age

Continued from page 56

The automation of the checkout is just the start. MIS execs began grappling with how best to use the vast data collected. As Dan Jorndt, Walgreen's president and chief operations officer, told *Drug Store News* recently, using the sales data collected at POS registers was like taking a drink from a fire hose.

The automation of the checkout is just the start, as execs grapple with how to use the vast data collected.

Data usage goals

Chains have begun to form analysis reporting channels and are testing decision support systems, computer programs that meaningfully organize data so it is easily interpreted and actionable.

One goal: a perpetual inventory system, in which daily sales data and purchase records are analyzed and orders are created regularly and automatically.

But the store is only part of the equation. Chains are exploring ways to link all the stations involved in buying and selling.

Walgreens, for instance, continued developing its Strategic Inventory Management System (SIMS), which will blanket all aspects: stores, warehouses, buyers and vendors. SIMS will be a virtually paperless system that will give a user "visibility into the merchandise pipeline from vendor to store," a Walgreens executive said. It also speeds ordering, shipping, receiving and paying for merchandise.

Hand-helds are hot

Hand-held terminals brought more functions to store aisles and backroom receiving areas. Chains began testing hardware and software by Telxon and Symbol/MIS that goes beyond the shelf order entry function that chains have performed for many years with hand-helds.

Increased computer capacity allowed intelligent order entry, where the associate can call up data on the date and amount of the most recent order.

Chains must have systems for shelf price audit to ensure that tag prices match those in the price look-up file of the POS system. They have tried both "batch" and radio frequency technology systems to do this.

Several major chains have been using hand-held computers and radio frequency for receiving direct-store-delivered products. They smooth the receiving function, and enable associates to call current data on purchase orders and deals, assuring that delivery terms correlate with orders.

EDI inevitable

Handhelds have allowed electronic data interchange (EDI) in the back room, which several chains have tested with selected vendors for general purchasing, with the goal of eliminating paper, saving labor and compressing the order cycle. Following the leads of the supermarket industry and drug wholesalers, efforts by Eckerd, Walgreens and Revco indicate that EDI, while in its infancy, will inevitably be implemented throughout the industry.

A key choice facing retailers will be how to make the links. Will chains develope proprietary links with a select number of their largest vendors, which may lock out others using incompatible data formats?

Or will they pay to use valued-added networks (VANS), many of which can link one partner with a wide universe of others by translating into standard formats? Both proprietary links and VANS are being used.

Computer files have replaced hard paper copy at Walgreen's Flagstaff, Ariz., warehouse. A receiver (above) prints a pallet tag that will tell a stocker the quantity of merchandise and its assigned warehouse location.

More chains took steps to automate third-party verification and adjudication at the pharmacy by installating systems that allow the pharmacist to resolve eligibility in real-time when the claimant is in the store, and to slash the lead time between claim submittal and payment.

Rite Aid followed Eckerd in adopting Health Net/2, by Stratus Computers and Shared Financial Systems, so third-party files could be kept in-house on the fault-tolerant system.

K&B Drugs found another use for the two companies' hardware and software: processing claims from the large army of K&B credit card holders.

Drug chains with scanning

(Ranked by percentage of stores equipped)

	No. of stores	No. with scanning	% with scanning
Rite Aid	2353	599	25.5
Revco	1888	480	25.4
Thrift	472	337	71.4
Pay Less NW	296	205	69.3
Walgreens	1484	188	12.7
Thrifty	809	160	19.8
Big B	297	145	48.8
Peoples	486	140	28.8
Fay's	174	96	55.2
F&M	75	74	98.7
Fantle's	74	45	60.8
Eckerd	1630	12	0.7
CVS	789	9	1.1
Genovese	96	7	7.3
Kinney	31	7	22.6
Lewis Drugs	7	5	71.4
Saskatoon	20	5	25.0
Discount Drug	27	3	11.1
Gary's Discount	3	3	100.0
Arbor	93	2	2.2
Longs	248	2	0.8
Drug Emporium	80	2	2.5
Wellby	41	1	2.4
Standard	60	1	1.7
Snyder's	62	1	1.6

Source: *Drug Store News* 1990 chain drug survey

The on-line, in-house system, which is accessed by Verifone terminals in the stores, cut claims processing time to a day from a week by replacing a paper-based credit card draft system.

Shrink control is being addressed with electronic article surveillance systems by Checkpoint, Knogo and Sensormatic. Drug chain employees typically tag selected items with electric circuits, which are deactivated at checkout.

Meanwhile, civil recovery became an increasingly interesting option for recovering damages from theft, and preventing theft. At least one major chain developed a pc-based program to operate its own recovery office, where status records of pending cases must be carefully tracked.

Most chains haven't gone beyond the picturing stage. . . many will use space management services.

Chains became more involved in computer space management, as some opted to buy their own systems. The systems promise to speed planograming and, as POS systems provide store-by-store sales data, create more varied and targeted shelf sets.

Most haven't gone beyond the picturing stage to analysis, and many will continue to use vendors' space management services. A drawback of systems has been the difficulty in building product dimension databases, and in gaining accurate sales and profit data. Eventually, the systems promise to strongly boost "micro-marketing" at the store level, allowing more precise inventories.

Electronic merchandising

Not all automation efforts centered on cost control. Chains' willingness to test the growing choices in electronic merchandising machines shows these will continue to spark interest in the 1990s.

POP Radio's in-store radio system has become a fixture on the drug scene, and enjoys wide use. Its periodic product advertisements in the disc jockey radio format can produce significant sales increases, buyers said.

Some chains began using the Pharmacy Information Center by McKesson Corp. and Medical Strategies, a touch screen that offers customers drug information. Phar-Mor used an interactive video kiosk, as did Woolworth's Woolworth Express H&BA stores. Yet, some chains questioned the kiosks' large sizes and prices.

Noxell unveiled its now widely-used and praised Clarion Beauty Computer, which provided micro-processed answers to customers' questions about the UltraPure Skin Care line.

Other interesting electronic devices were taken up by supermarkets. Systems such as "silent radio" LED boards, and electronic messages on shelves and carts, were put into use at food chains.

RxPress is Walgreens' vehicle for areas whose population density cannot support a full-scale drug store, and could pave the way into new markets.

Service in cosmetics, a cornerstone of the chain's mix, helps induce extra sales and explain how shoppers can best use the wide assortment of SKUs carried.

Walgreens pushes ahead with technology

DEERFIELD, Ill. — The reigning champion of chain drug retailing continues to act more like the hungry, aggressive challenger than the undisputed heavyweight titleholder it is.

Walgreens will spend $200 million this year to fund store growth and renovation, technology projects and completion of a new, $40-million distribution center in southern Illinois.

That figure marks a 70 percent hike in capital spending over the previous fiscal year, and typifies the aggressive pattern Walgreens has displayed over the past decade. Since the mid-1980s, the chain has averaged about 100 new stores a year, completely renovated and upgraded most of the rest of its store base, and spent huge sums to automate every aspect of its business.

Thus, Walgreens is a "new" retail entity in many senses of the word.

Walgreens ended the fiscal year with the retirement of one of the most effective architects of growth and renewal the chain drug industry has ever produced, president Fred Canning. It begins the new decade with a new president and chief operating officer, 48-year-old Dan Jorndt.

Jorndt is a 27-year company veteran and pharmacist who worked his way up the operations ladder before serving as treasurer beginning in 1985. Jorndt inherits a retail powerhouse of more than 1,500 drug stores operating coast-to-coast, and company insiders say he's up to the job of keeping the company on top of its trade class.

Walgreens has been at the top of the industry throughout the 1980s, capping off the decade with $5.4 billion in sales last year and profits of $154 million, up nearly 20 percent from the previous year. Same-store results were up a solid 9.5 percent for the year.

Pharmacy sales, meanwhile, should top $2 billion this year, and the company is shooting for $7 billion in total store sales by next year.

That kind of growth stems from an on-going and aggressive program of growth and self-improvement at Walgreens. The mix is under a constant microscope, with teams reviewing items' performances and updating planograms periodically.

The site selection process is perhaps the most aggressive—yet most painstaking and careful—of any drug chain. Walgreens is growing at a 100-store-a-year clip throughout the country, yet every proposed store site considered by the real estate committee undergoes a ruthless review process—not only by middle managers but also by top Walgreens officers.

The chain's growth prospects are enhanced by several key factors. Among them is a flexible approach which allows the chain to open stores in a variety of settings, including freestanding, strip centers, and dense urban areas. The chain continues to test its new, tiny RxPress format—which features a full pharmacy and a solid mix of OTC items in about 2,000 square feet—as a new way to fill in tight urban markets.

Beginning in Wisconsin, Walgreens has also begun testing expansion into small towns with populations of around 10,000—a market once considered too sparse to support a unit.

Meanwhile, Walgreens is in the middle of a furious effort to upgrade its retail automation systems through its SIMS project (Strategic Inventory Management System), now in its third year of development. Some 100 programmers, analysts and other data processing experts have been dedicated to completing the massive SIMS project within the next couple of years.

When they're done, Walgreens will have a "closed-loop" system for buying, moving and managing inventory. The loop will link together receiving clerks, lift truck drivers, buyers and others through scanners and computer terminals.

SIMS will include a paperless receiving and "put-away" system in all nine warehouses, the eventual elimination of labor-intensive price-stickering of merchandise in the stores, a vastly improved method of tracking and locating every item of inventory from the time it comes into the warehouse, and a much faster and more responsive system for supplying stores.

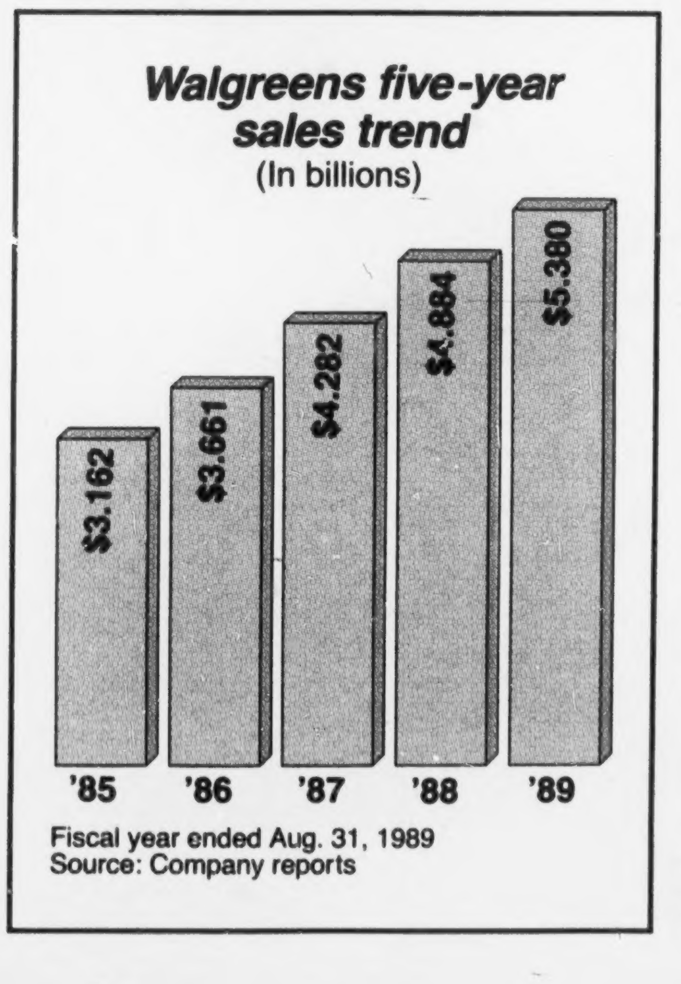
SIMS will also give buyers access to a wealth of information with which to make purchase decisions, including not only movement history on each item, but also cost/benefit formulas with which to decide quantities and timing of purchases.

SIMS is linked to another major automation effort at Walgreens: the accelerating rollout of checkstand scanners. Walgreens has allocated roughly $100 million for scanners, and finished the year with some 200 stores scanning in Fort Wayne, Ind. and Chicago. Execs say scanners are due chainwide by the end of next year.

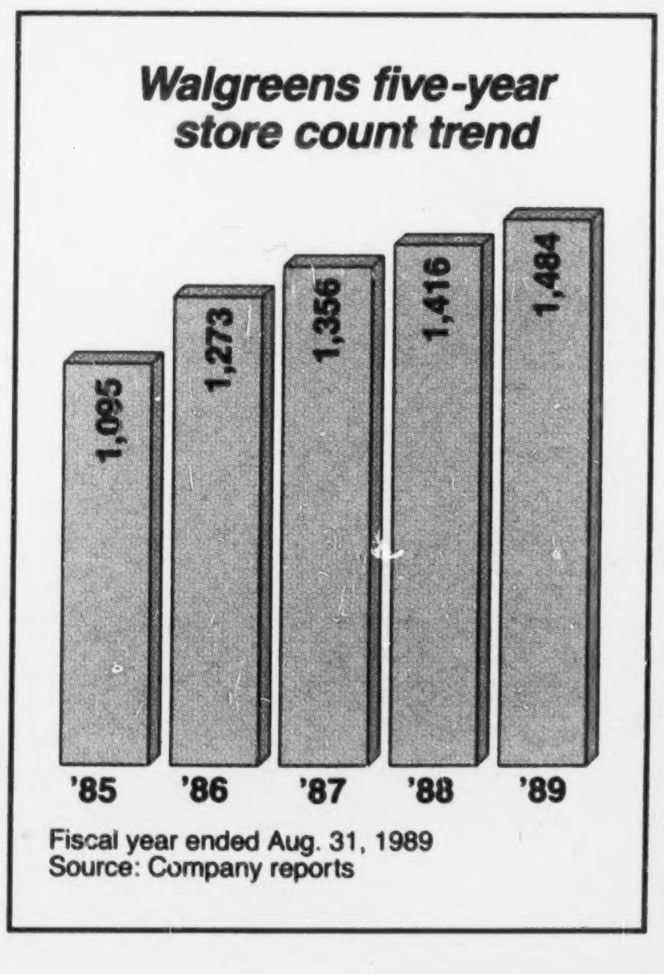
When those automation projects are completed, Walgreens is shooting for a major reduction in its inventory carrying costs and a concurrent boost in turns. "Our inventory levels are at more than $1 billion," Fred Canning told shareholders at his last annual meeting as president in January. "With SIMS, we hope to shave $200 million off that."

Walgreens at a glance

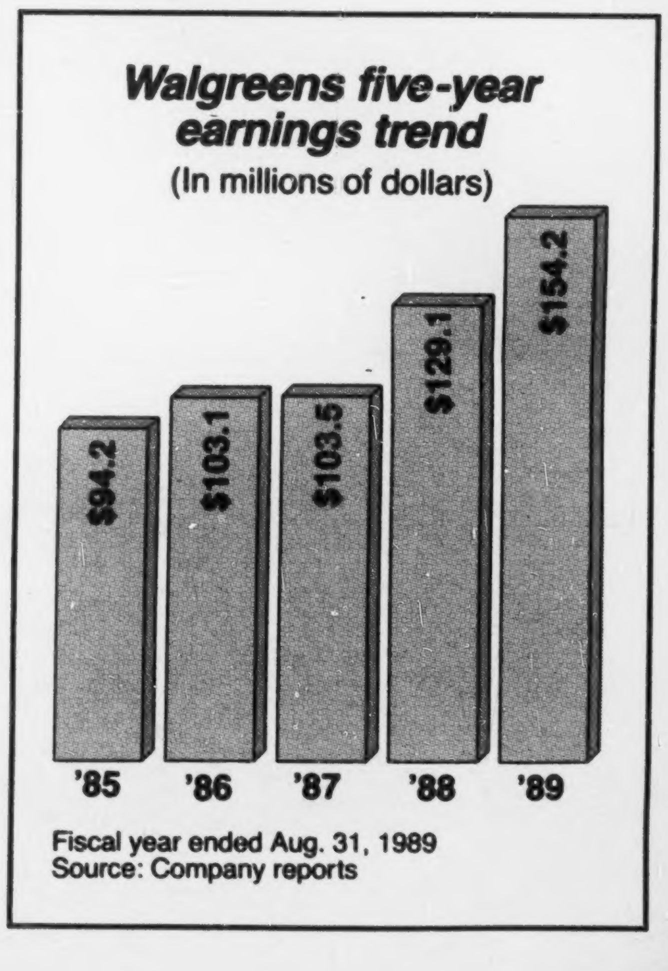
Name: **Walgreen Co.**
Headquarters: **Deerfield, Ill.**
Officers: **Charles R. Walgreen III, chairman and ceo; L. Daniel Jorndt, president and chief operating officer.**
Sales: **$5.4 billion**
Store count: **1,515 units as of Feb. 28, 1990.**
Average store size: **9,500 square feet (selling)**
Markets: **Midwest, Southeast, Southwest, Northeast, West Coast**
Highlights: **Named Dan Jorndt president; exceeded $5 billion in revenues; progressed with SIMS, scanning, and store communications projects; began construction of new distribution center.**



Fiscal year ended Aug. 31, 1989
Source: Company reports

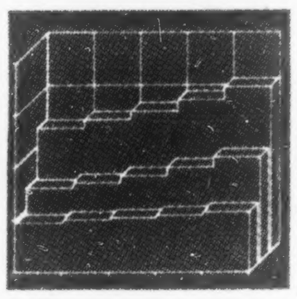


Fiscal year ended Aug. 31, 1989
Source: Company reports



Fiscal year ended Aug. 31, 1989
Source: Company reports

American sales, profits up despite management shift



OAK BROOK, Ill. — American Drug Stores ended its fiscal year on a positive note, but major management changes continued to sweep the drug chain early in the new year.

The turnover in leadership culminated with the sudden departure of chairman, chief executive and president Dick Scott in early March, less than two years after his recruitment from Longs Drug Stores. Scott's decentralized management style contrasted sharply with that of his predecessor, former Osco Drug president Dick George.

The resignation of Scott was preceded by that of several other high-level executives. Since last fall, American Drug has seen the departure of former president Terry Hanson, advertising and sales development director John Kromer, senior vp-marketing Dominick Cavallo, senior vp-pharmacy operations Richard Boyd, and vp-secretary and general counsel Alan Barker.

Hanson and Kromer left to join George in a new retail venture. Also lured away in that undertaking were several buyers and support people in middle management.

Scott's replacement, new American Drug president Dave Maher, predicted the company would "quickly progress through a brief transitional period and emerge with a renewed commitment toward serving our customers and our people."

Despite the turnover, the chain is well-positioned to enter the 1990s. Last year, American opened 17 new drug stores, and kept pace with ongoing store renovation. A number of powerful new Jewel Osco combos were put on line, including three examples of American Stores' new Jewel Osco of Florida prototype in Tampa Bay, and the more traditional Jewel-Osco combos still going up in the Chicago market and elsewhere.

Turning the corner

Financially, the 675-store division of American Stores seems to have successfully turned the corner in its attempts to halt eroding gross margins and beef up the bottom line. For the fiscal year ended Feb. 3, 1990, operating profits rose another 6.1 percent at American Drug on top of a 31.3 percent rise the previous year, to $159 million, on a sales increase of 6.4 percent to $3.52 billion.

The final quarter of the year pointed to a sharper upturn in the works: operating earnings were up a strong 30.6 percent to $72.2 million, same-store sales were up a decent 5.6 percent and total sales in the drug stores were up 14.4 percent.

The gains have come as a costly repositioning and promotional program at American Drug's Sav-on division in the West began to pay dividends in the form of higher per-store sales and a reenergizing of the division's workforce. Merchandise levels in the Sav-on stores and service were also given a boost.

Jewel Osco combo prices drug-store merchandise sharply to build extra sales from its large shopping base.

American Drug's Osco division, based in Oak Brook, also contributed to the bottom line with steady if modest growth in mature stores and the successful introduction of new Jewel/Osco combo stores in Chicago and elsewhere. The successful blend of Jewel and Osco, and the fine-tuning of that combo format by merchandising and marketing strategists on both sides of the stores, has made for one of the industry's most powerful combo weapons.

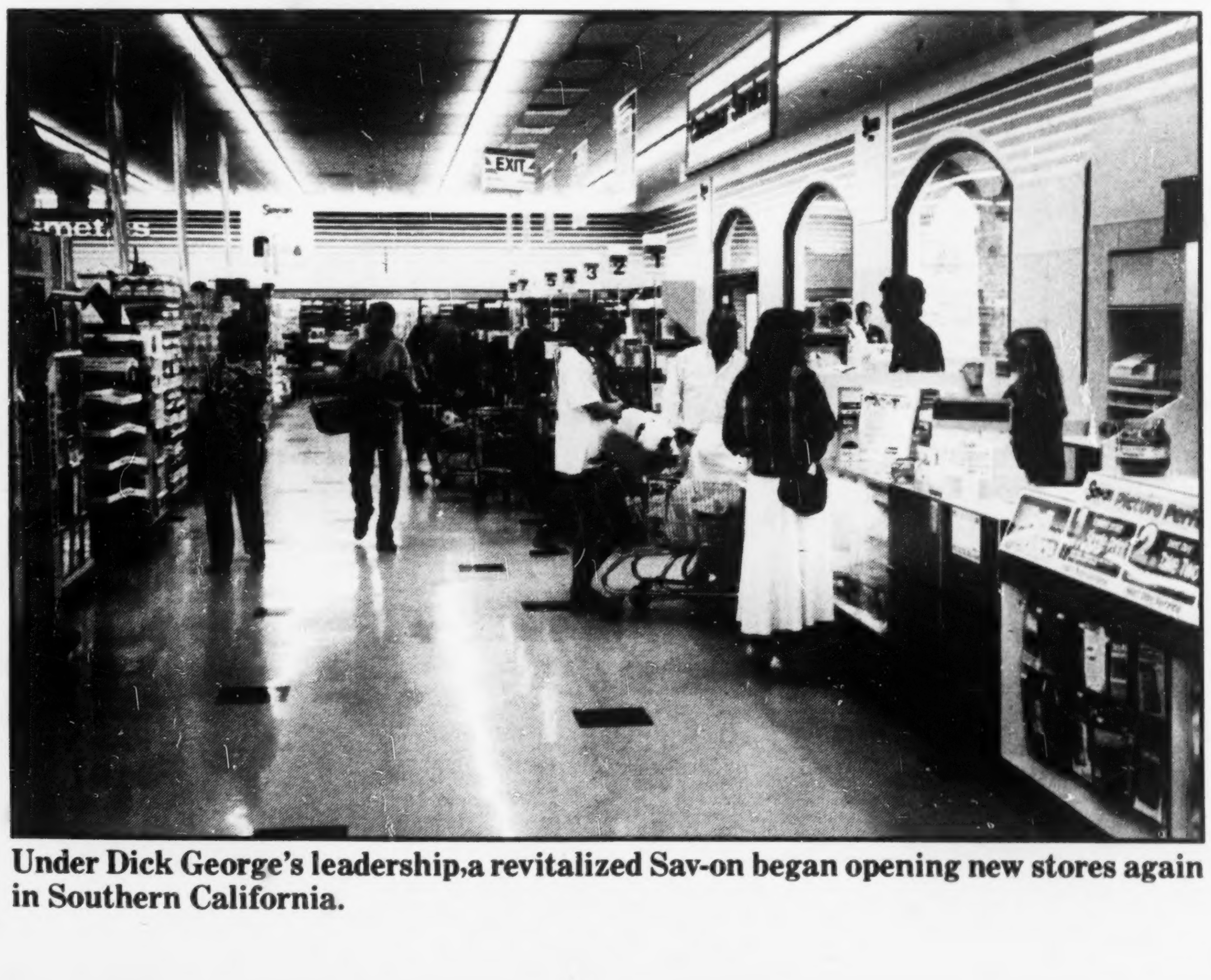
Both the Sav-on and Osco divisions have also been recharged with the shift in decision-making authority from the central office down to regional offices, district offices and stores. That decentralization of management and return to a more divisional approach by the company, spearheaded by Dick Scott, was aimed at putting stores in each division in closer touch with their own markets and making the central office more a support function for volume buys, advertising and marketing support, corporate strategy and distribution.

Noted retail analyst John Kosecoff of First Manhattan Co. in a recent report on American Stores, "Centralized merchandising failed to win over customers in California, where Sav-on had been erratically managed since its 1981 acquisition by Jewel. The Sav-on name was restored in 177 stores in California and Nevada, and we believe that in the first half of 1989 its operating profits were wholly reinvested in the form of lower prices and increased advertising."

At the same time Scott was leading the charge for decentralization, however, American was trying to finalize other aspects of the consolidation of Osco and Sav-on begun by Scott's predecessor, Dick George, in order to cut operating costs and boost economies of scale. Last year, Scott, Boyd and other executives formerly based at American Drug's Western headquarters in Anaheim, Calif., were moved to Oak Brook prior to their departure, as the company centralized corporate functions such as buying, advertising, marketing and customer relations in one location.

American Drug Stores at a glance

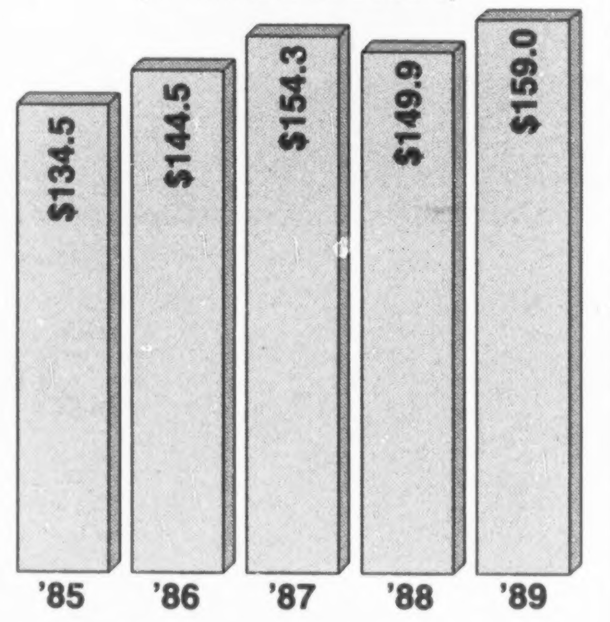
Name: **American Drug Stores**
Headquarters: **Oak Brook, Ill.**
Operating divisions: **Osco Drug, Sav-on**
Officers: **Dave Maher, president; Mike Baird, senior vp-operations.**
Sales: **$3.5 billion**
Store: **675**
Average store size: **21,376 square feet (16,684 selling)**
Market: **Midwest, New England, Southwest, West**
Highlights: **Major management shift; consolidation of headquarters operations in Oak Brook; restoration of local marketing strategies for Sav-on and Osco; boost in Sav-on market share.**



Under Dick George's leadership, a revitalized Sav-on began opening new stores again in Southern California.

*American Drug five-year earnings trend**

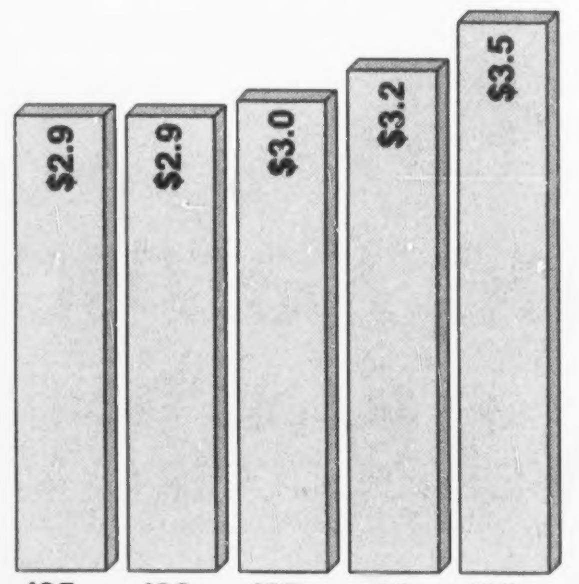
(In millions of dollars)



Source: Company reports
*Figures reflect operating earnings, before taxes.

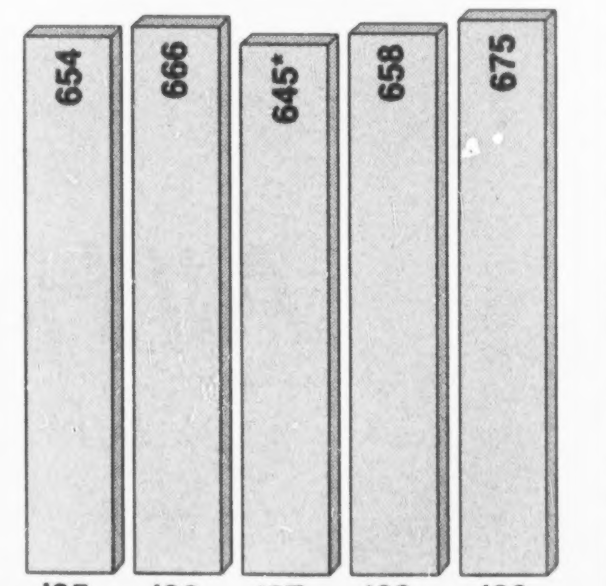
American Drug five-year sales trend

(In billions of dollars)



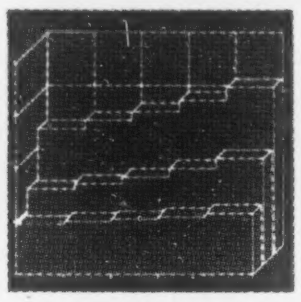
Source: Company reports

American Drug five-year store count trend



*Reflects sale of 24 Osco/Sav-on drug stores to Pay Less NW.
Source: Company reports

Eckerd filling in markets; 50 openings eyed for '90



CLEARWATER, Fla. — Jack Eckerd Corp. added 50 stores in 1989, filling in several markets within its 14-state Mid-Atlantic, Southern and Midwest trading area.

In the fourth year since its leveraged buyout, the period ended Feb. 3, 1990, Eckerd sales were expected at press time to come in 10-percent higher over last year at $3.2 billion.

Eckerd plans to add another 50 stores in 1990, a sign of its fiscal health, as it continues to meet LBO interest debt and generate ample free cash flow for new stores.

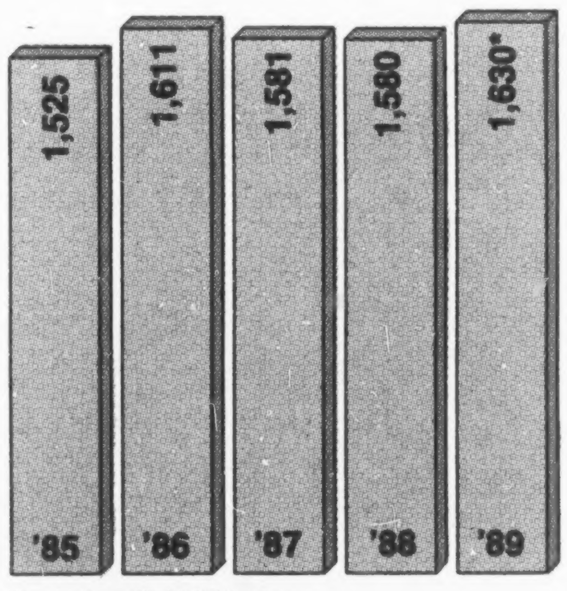
Last year, despite interest costs and charges from asset writedowns, Eckerd posted net earnings of $3 million, which it called a "major milestone." In contrast, the company reported a $137.4 million net loss in 1987.

For the nine months ended Oct. 28, 1989, Eckerd posted a net loss of $29.8 million, it reported to the Securities and Exchange Commission. The loss stemmed in part from $106.8 million in non-cash charges, most from writing down the values of assets.

Adjusting for the non-cash charges, cash flow was positive $18.1 million, enabling Eckerd to fund working capital needs from operations and bank credit lines.

Nine month sales were $2.2 billion, 7.1 percent better than last year's comparable period, with same-store sales up 5.8 percent.

Eckerd raises store count



*Includes 25 H&BA stores.

Source: Company reports

Acquisitions aplenty

Acquisitions were led by the purchase of the 16-store Dunaway chain in Atlanta, which gave Eckerd 43 stores in the fast-growing city and market share in excess of 30 percent. Four were closed, and the rest converted to Eckerd's Spartan format. One Marietta, Ga., store is being made to look like a 1930s drug store.

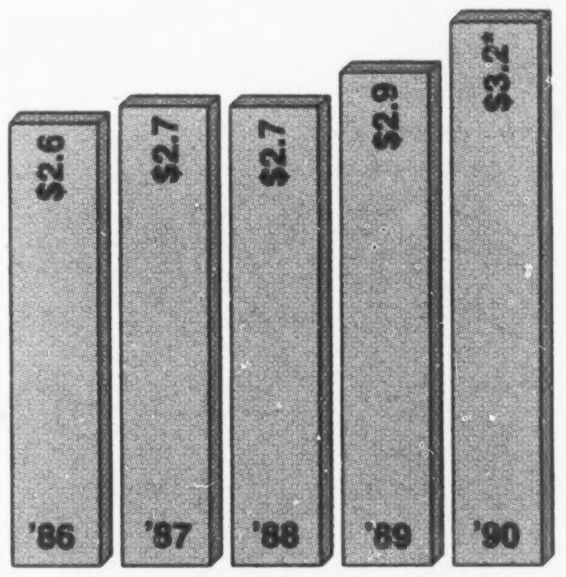
Hilley's Drugs in Eckerd's Dallas district was also taken over. This seven-store purchase fortified Eckerd's top spot in Dallas-Fort Worth, with 117 stores and a 27-percent share, reported *Metro Market Studies*.

Then Eckerd bought HSI's 10 SupeRx stores in North Carolina, gaining ground in metro areas and small towns.

By the end of the fiscal year Eckerd had over 1,000 units remodeled into the Spartan format which allows for closer pharmacist-consumer interchange.

Eckerd sales jump

(In billions of dollars)



*Estimated; fiscal year ended Feb. 3, 1990.

Source: Company reports

Eckerd's cash position

(Net cash from operations after interest)

Fiscal period	Cash from operations
38 weeks ended Jan. 31, 1987	$ 18.5 million
Year ended Jan. 30, 1988	$127.3 million
Year ended Jan. 28, 1989	$132.6 million
Year ended Feb. 2, 1990	$110.0 million*

*Estimated; fiscal year ended Feb. 3, 1990.

Source: Company reports

At the end of the fiscal year Eckerd had more than 1,000 units remodeled into the Spartan format, with 144 planned for 1990. The format's revamped pharmacy allows for closer pharmacist-consumer interchange, and has been well-received by shoppers.

For $17.1 million, Eckerd last year bought Revco's Insta-Care Pharmacy Services, which provides prescription services to nursing homes. Combined with Eckerd Prescription Labs, it made one of the nation's largest such providers, with 15 Eckerd labs paired with Insta Care's six.

Eye care centers

Eckerd's Visionworks Eye Care centers grew from 14 to 29 stores, as the division entered seven new markets, including Washington, D.C., Florida, North and South Carolina. This year, it plans to add 16 more of the "department stores for optical sevices," which feature prescription lens preparation as well as professional care.

Eckerd also continued to build one of the industry's strongest film-photo franchises, as it added 63 Express Photo minilab departments, raising its count to 189.

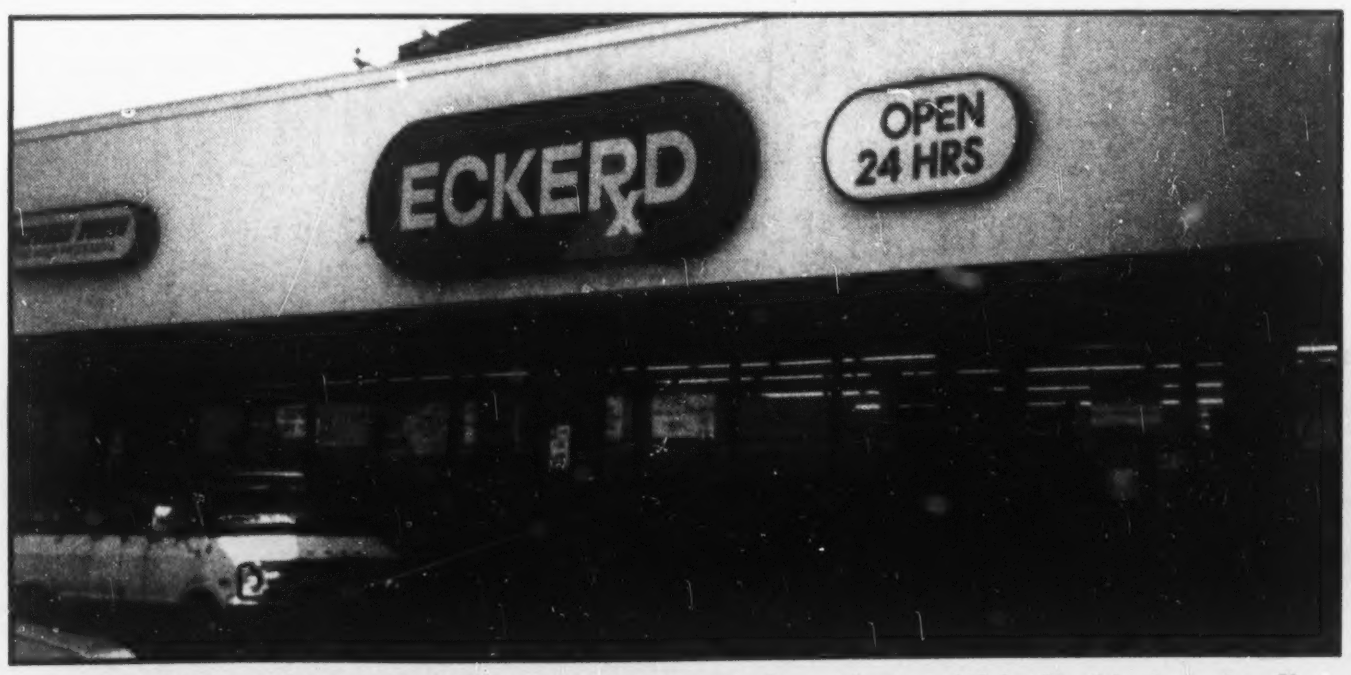
The effort is strengthened by the expertise developed in the chain's captive labs, with the minilabs advertised as extensions of the "big lab" service. The marketing pitch is quality, and frequent promotion in key tourist areas and sunbelt markets builds exposure.

In separate matters, Eckerd also:

- Launched a program to rewrite its pharmacy software, and increase front-of-store computers to 257 stores, including 12 with scanning.
- Began to seriously test computerized space management, after buying Information Resources' Apollo system.
- Began accepting American Express cards in November, after consumer research indicated demand.

Eckerd at a glance

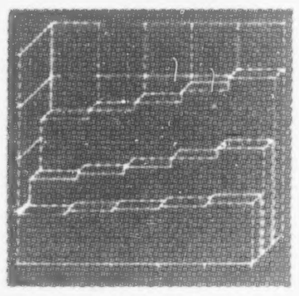
Name: **Jack Eckerd Corp.**
Headquarters: **Largo, Fla.**
Officers: **Stewart Turley,** chairman and president; **Harry Lambert,** president, Eckerd Drug.
Sales: **$3.2 billion**
Stores: **1,630** drug and H&BA stores, **29** Visionworks eye care stores.
Market: **14 South, Southwest and Mid-Atlantic states.**
Highlights: **Reported $18.1 million in positive cash flow** for the nine months ended Oct. 28, 1989. **Eckerd added to its store base through acquisitions, including Dunaway** in Atlanta.



Eckerd added 50 stores in 1989 to fill out several markets within its 14-state trading area and plans to add another 50 in 1990.

Visionworks Eye Care centers grew from 14 to 29 stores, as the division entered seven new markets. The stores feature prescription lens preparation and professional care.

Rite Aid buys paying off, chain exits video rentals



SHIREMANSTOWN, Pa. — Rite Aid Corp. added two more jewels to its crown this fiscal year, with the acquisition of Lane Drug stores from Imasco-owned Peoples Drug Stores last April, and of Lane (a separate entity) stores in New Jersey in September.

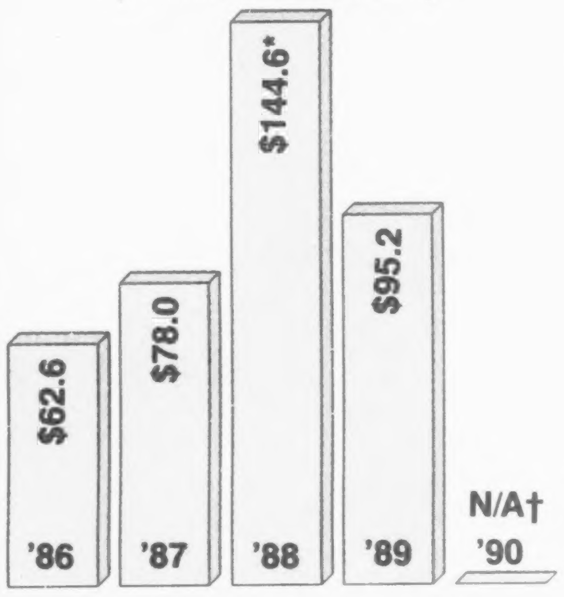
The two purchases gave Rite Aid a net 99 and 19 stores, respectively, and strengthened its position in Ohio, Pennsylvania and south-central New Jersey especially. The chain's largest concentration of stores is now in Ohio, and the New Jersey purchase of stores in Monmouth and Ocean counties filled in a strategic strip of that state for Rite Aid.

In other significant moves, the chain decided to close the video departments in all its stores, taking a one-time $22 million writeoff in the third quarter (FY 1990), and sold its 47 percent interest in Super Rite Foods, reporting an after-tax gain of $18.37 million in the same quarter.

Rite Aid's video rentals business, up against increased competition from video retailers, had been dropping off sharply for some time, and the company moved to pull all 2,002 video departments from its stores by the end of 1989.

Rite Aid earnings

(In millions of dollars)

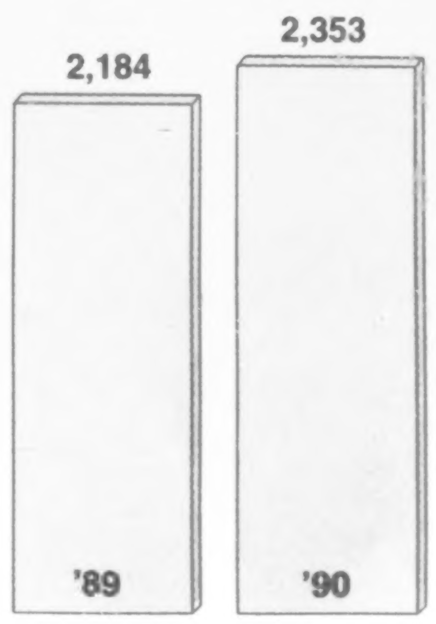


*Includes one-time adjusted gain of $47.1 million from sale of discontinued operations and the cumulative effect of an accounting change of $3.7 million.

†Fiscal year ended March 3, 1990.

Source: Company reports

Rite Aid store count



Source: Company reports

During the year, the chain made strides in integrating major acquisitions of previous years, including 533 Gray Drug and SupeRx stores in 1987 and the Begley Co. (39 stores) in 1988.

At a meeting with analysts in October, chairman Alex Grass said 470 of the acquired stores had been remodeled to date. Comparable-store sales at acquired stores were "strengthening each month," president Martin Grass told the group.

In the second quarter ended Sept. 2, comparable-store sales at acquired stores increased 3.5 percent (8.1 percent for core stores), and Grass projected they would reach 6 percent (pretax, pre-interest operating margin) by the fourth quarter. He added that the Peoples and Begley stores would probably take longer to hit that level.

Because of similarities of store size and merchandise mix, the integration of the Lane acquisition from Peoples and the smaller acquisition of stores in New Jersey are expected to go more smoothly than the large earlier acquisitions. The stores acquired in south-central New Jersey, in particular, are comparable in size to the chain's prototype and complement the 137 other stores Rite Aid has in the state.

Technological advances

Rite Aid also pressed forward on the technological front, an area it considers a vital investment in its future. During the year, it completed upgrading computer systems in all its pharmacy departments and finished rolling out its front-end Data Collection System (DCS).

This electronic linkage system sharply reduces the time required to communicate between store managers and headquarters and makes possible instant tracking of most operating and accounting tasks, enabling the chain to monitor individual store performance faster and more accurately. Most important, it eliminates hand-generated reports and related expenses, such as mailing and telephone costs. The number of stores equipped with scanning remained static for the second year, with 599 stores currently equipped.

In pharmacy, Rite Aid continued to roll out an on-line eligibility verification and adjudication system, which allows immediate verification of eligibility and significantly reduces the waiting period between filling a prescription and receiving payment from third-party insurance carriers.

Third-party battle

The company also kept up its battle for what Alex Grass has called "a fairer level of compensation from third-party providers." A company-sponsored study released last June found that 64 percent of the chain's third-party customers purchasing prescriptions made no purchases from the front end of the store.

The average front-of-store sale of the 36 percent of customers who made a front-end purchase was $4.65; for the entire sample of third-party customers, the average dropped to $1.66. "There is simply no truth to the claim that participating in third-party programs in some way attracts other meaningful business," Grass concluded.

That view was reiterated at the time Mike Winkelman joined Rite Aid as vp-third-party programs last summer: "My concern is the same as Rite Aid's and what should be the overriding concern of the industry: To get appropriate reimbursement levels for third-party programs."

Bribery charges

During the year, Rite Aid became embroiled in litigation involving alleged bribery charges brought by the state of Ohio against its president, Martin Grass, and the company. Grass and the company were indicted on charges alleging that Grass had "bribed" former Lane Drug pharmacist Melvin Wilczynski to resign from the Ohio State Pharmacy Board.

The defendants pleaded not guilty Aug. 18, arguing that the payment was a legal buyout of a consulting contract and that the charge stems from a long-standing "vendetta" the pharmacy board has against the chain.

This January, a Circuit Court judge denied a Rite Aid motion to dismiss the case and set Jan. 15 for a trial. The trial date was subsequently rescheduled for April 16.

The chain operated 2,353 drug and H&BA stores on March 3 of this year, compared with 2,184 last year, and completed 237 major remodels during the year, versus 204 major renovations the previous year. It targets opening 110 stores this year and plans to equip 100 with pharmacy computers.

The chain closed the distribution center acquired from Peoples (Lane) and currently operates five warehouses, comprising a total of 1,389,000 square feet.

In its latest posted results, for third-quarter 1990 ended Dec. 2, Rite Aid corporate revenues gained 14 percent, to $791.7 million, and net income increased 35.8 percent, to $22.5 million.

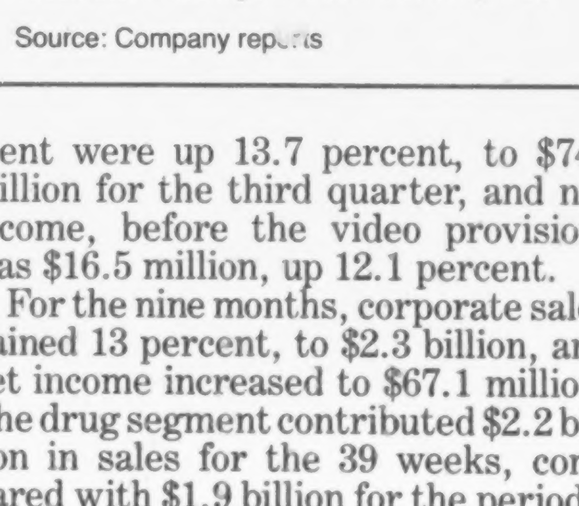
Revenues from the drug store segment were up 13.7 percent, to $749 million for the third quarter, and net income, before the video provision, was $16.5 million, up 12.1 percent.

For the nine months, corporate sales gained 13 percent, to $2.3 billion, and net income increased to $67.1 million. The drug segment contributed $2.2 billion in sales for the 39 weeks, compared with $1.9 billion for the period a year ago, and net income, excluding the video provision, gained 4.9 percent, to $56.9 million.

Rite Aid announced it would buy, renovate and enlarge a 160,000-square-foot building in East Pennsboro Township, in metropolitan Harrisburg, to be completed next year.

Rite Aid sales

(In billions of dollars)



*Estimated. Fiscal year ended March 3, 1990

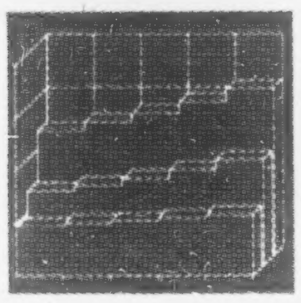
Source: Company reports

Savvy checkstand merchandising generates high rate of high-margin impulse buys from Rite Aid's front-end.

Rite Aid at a glance

Name: **Rite Aid Corp.**
Headquarters: **Shiremanstown, Pa.**
Officers: **Alex Grass,** chairman and ceo; **Martin Grass,** president and chief operations officer
Sales: **Drug segment, $3.012 billion (est.)**
Store count: **2,353 (includes 40 deep discount stores)**
Average store size: **6,700 square feet (5,800 square feet selling)**
Market: **23 states**
Highlights: **Acquisition of Lane Drug from Peoples; closing of video departments in all stores; sale of 47 percent interest in Super Rite Foods.**

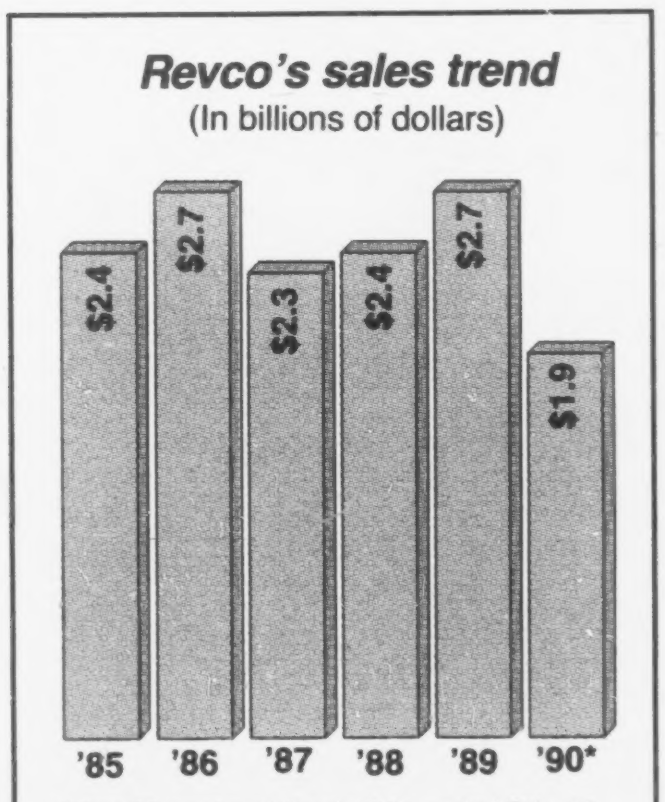
Revco turnaround gains speed as store base tightens



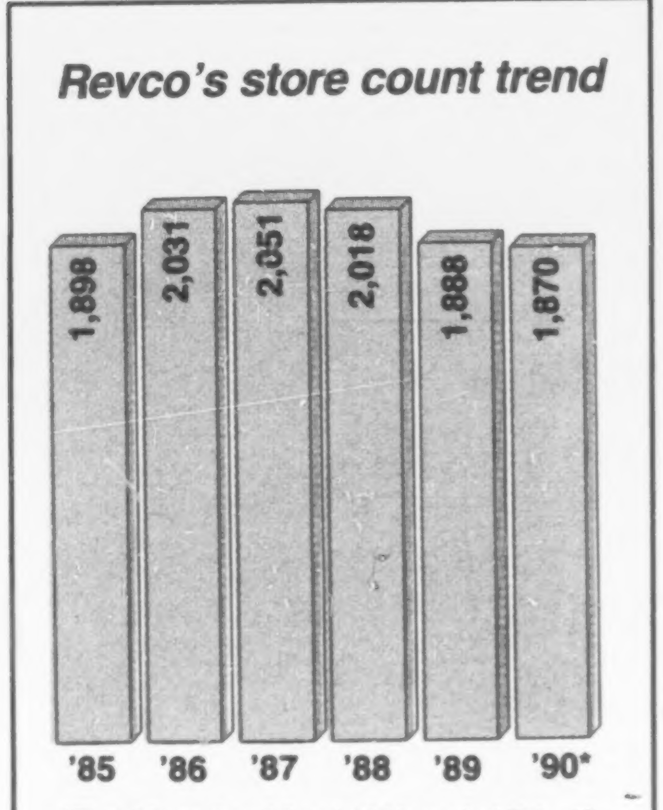
TWINSBURG, Ohio — Like a balloonist gaining altitude, Revco D.S. is shedding weight to rise out of bankruptcy. The financially troubled company—until recently the nation's largest drug chain in store count—has launched a major restructuring that will cut its operations to 10 eastern and southern states and reduce its store network by more than a third.

That decision, announced early this year, is being praised by most of Revco's creditors and supporters as a smart—if painful—move to insure the company's future. It involves the planned sale of 712 drug stores in 17 states as Revco concentrates all its efforts and resources on its denser core markets. Strategically, it will mean that store renovations, technological enhancements and other improvements to operations and merchandising systems will be done that much faster in the 1,161 Revco stores that remain part of the company.

"Since total capital expenditures for the chain will not be reduced, ongoing areas of operation will see remodelings and technological enhancements much earlier than previously planned," noted Revco chairman and ceo Boake Sells after the restructuring plan was revealed. "We will still be a very large chain, with sales close to $2 billion."



*First 36 weeks of fiscal 1990, ended Feb. 10, 1990.
Source: company reports



*First 36 weeks of fiscal 1990, ended Feb. 10, 1990
Source: company reports

There is another major potential benefit from the planned selloff, as well: it could add needed cash to Revco's coffers and hasten it out of Chapter 11. The cash would help reduce the company's massive, $1.5 billion debt load and help in the financial restructuring package Revco is trying to put together for its creditors and the bankruptcy court.

Those efforts continue to enjoy a generally high level of support from both the creditors and the court. Revco continues to gain court-approved extensions of its exclusivity deadline for filing a financial reorganization plan; the latest such extension, granted in late February, gives the company until July 31 of this year to file such a plan, and until Oct. 31 to obtain approval of the plan from its creditors. During that time, outside bidders interested in acquiring a stake in the company and filing their own reorganization proposal must take a back seat to Revco's own efforts.

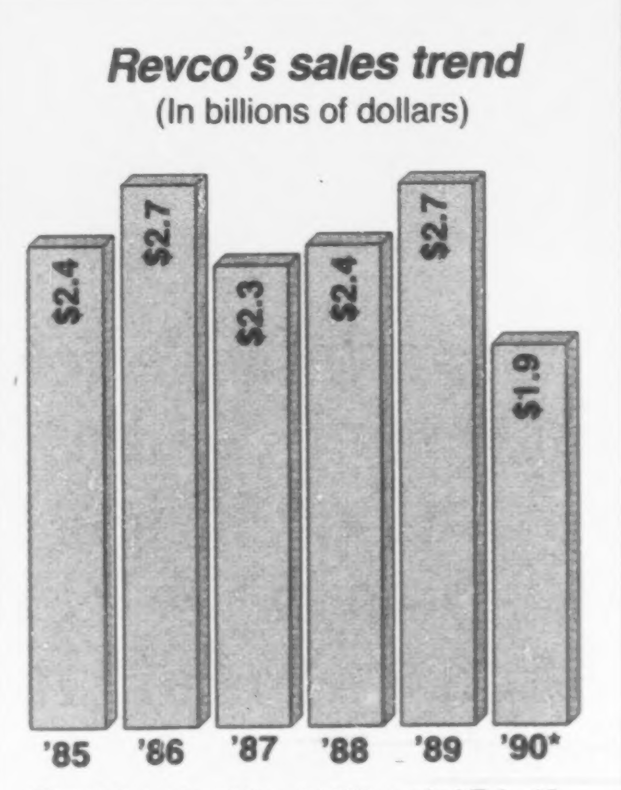
Such a proposal was put forward last fall, when Revco received an unsolicited and unofficial takeover offer from Acadia Partners, L.P. and the Robert M. Bass Group. Acadia put a $925 million offer on the table which would pay its creditors $410 million in cash and another $515 million in new debt securities to absolve the company of all outstanding debt and allow it to come out of Chapter 11.

Both Revco and its bondholders reacted warily to the offer, which would add new debt to its balance sheet just as it emerged from bankruptcy—providing the plan met with court and creditor approval in the first place. Neither Revco's board nor its bondholders and trade creditors responded officially to the offer.

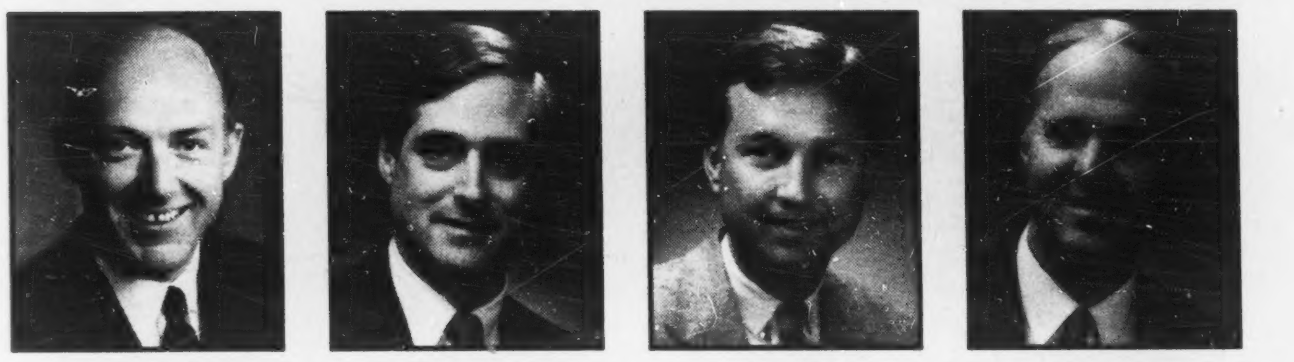
"As long as we have exclusivity, we don't have to act on any outside reorganization proposal or takeover offer," said one company source.

Revco's current bondholders have generally sided with Sells and other company officials. Said one noteholder, "Revco is revitalizing its stores and working on its margins, and its cash flow is down because they're building up the inventory. Over the next two or three years, there'll be a real revitalization of the company."

Added David Schulte of Chilmark Partners, who represents Revco's bondholder committee, "The noteholders are not exactly turning handsprings over [the Acadia/Bass] offer."



*First 36 weeks of fiscal 1990, ended Feb. 10, 1990.
Source: company reports



Sells Raven Adamson Hoven

The top Revco team of Sells, Raven, Adamson and Hoven is methodically leading the chain out of Chapter 11 protection. Part of their plan is to concentrate on core markets and divest 712 stores.

Revco at a glance

Name: **Revco D.S.**
Headquarters: **Twinsburg, Ohio**
Officers: **Boake Sells, chairman and ceo; Gregory Raven, executive vp-finance and cfo; Jim Adamson, executive vp-marketing; D. Dwayne Hoven, executive vp-stores.**
Sales: **$2.7 billion**
Stores: **1,870,** as of March 16, 1990
Average store size: **8,450 square feet**
Markets: **Midwest, North Central, Southeast, Southwest, Mid-Atlantic, Northeast**
Highlights: **Continues intensive efforts to restructure finances and emerge from bankruptcy; unveils plan to sell 712 stores in 17 states; solidifies top management team; develops and extends new store prototype; rebuilds vendor support and service levels.**

Revco received another boost in January when the U.S. Bankruptcy Court approved a 16-month extension of the maturity date of a $145 million credit line Revco's lending banks made available. The chain used some of that money to beef up inventories last Christmas, but has left the bulk of it untouched and relied on current operating cash flow to fund most ongoing operations and improvements.

Meanwhile, the chain continues to work its way back to fiscal health and viability as a chain drug retailer. Exhaustive efforts over the past two years to revamp Revco's stores and merchandise mix have yielded steady improvements in sales and operating income, despite a massive one-time charge against earnings taken to cover the costs associated with the upcoming store divestiture program.

One sure sign of improvement was a 10 percent upturn in same-store sales in the first three quarters of the new fiscal year. Operating profit for the first nine months, excluding one-time charges, depreciation and amortization, was up 45.4 percent in the first nine months.

"Our prescription volume, average transaction per customer and average sales per store are all up," noted Sells last month. "We had an excellent Christmas selling season."

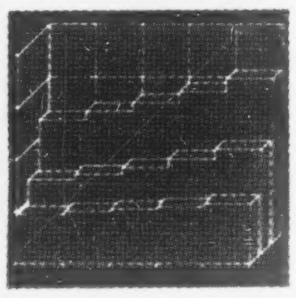
To stake its place in the 1990s, Revco last year unveiled a new store prototype which features a denser mix of core drug store products in a snappy new presentation, with angled aisles, clear departmental graphics and vertical merchandising techniques on walls and shelving. That format—or elements of it—provides the basis for new stores and remodels, which are going forward rapidly in Revco's home market and elsewhere.

The chain is also rolling out new stores in the 10 states it plans to remain in, and is spending the dollars needed to upgrade its pharmacy and point-of-sale technology. Following what it described as a successful test of POS scanning in 80 stores, the chain began the rollout last summer of scanners to another 400 units.

Revco
DISCOUNT DRUG

> *'Since total capital expenditures for the chain will not be reduced, ongoing areas of operation will see remodelings and technological enhancements much earlier than previously planned.'*
> **–Boake Sells**

Integration boosts Thrifty's '89 sales



LOS ANGELES — Thrifty Corp.'s latest fiscal year was marked by intense price competition in Southern California, integration costs of Pay 'n Save and Bi-Mart, ongoing rollout of POS systems and expansion of its satellite communications system.

A big sales boost came from full 12-month reporting of Pay'n Save and Bi-Mart. Their contribution upped Thrifty Corp. sales 29 percent to $3.1 billion in the fiscal year ended Nov. 30, 1989, up from $2.4 billion in the prior year. At the same time, Thrifty's operating income after taxes grew three percent to $68 million, from $66 million in 1988; however, its pretax operating margin fell to 3.3 percent from 4.4 percent. These figures include results from 256 sporting goods stores.

Parent Pacific Enterprises, meanwhile, reported 1989 sales of $6.76 billion, a 14-percent increase. Net income fell to $211 million from $222 million.

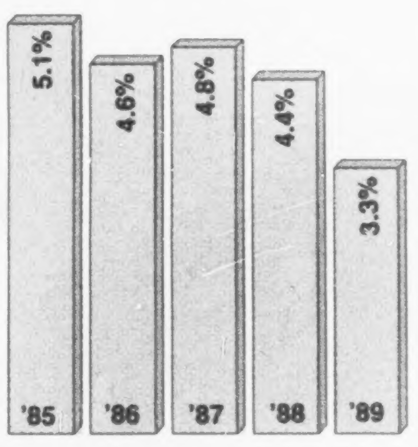
The integration of Pay 'n Saves in Oregon and Washington is progressing ahead of schedule, Thrifty said, helped by the installation of new senior management and control systems from Thrifty.

Pay 'n Save offered considerable benefits when acquired in June 1988. Average sales per store were double that of Thrifty, it owned a 47-percent market share in Seattle and was strong elsewhere; on the downside, margins were soft.

Thrifty Corp. ended the fiscal year with 809 drug stores, a net gain of three stores. That included, in the first nine months detail, 23 new Thriftys, Thrifty Jrs., Pay 'n Saves and Bi-Marts, 26 closed, and 14 stores put under a new name; in Washington, for instance, 16 Thriftys were converted to Pay 'n Saves, leaving no Thriftys in Washington. Seven Pay 'n Saves in Northern California converted to Thriftys, leaving Thrifty 188 stores in Northern California, 317 in Southern California, and none in Utah, another state it abandoned.

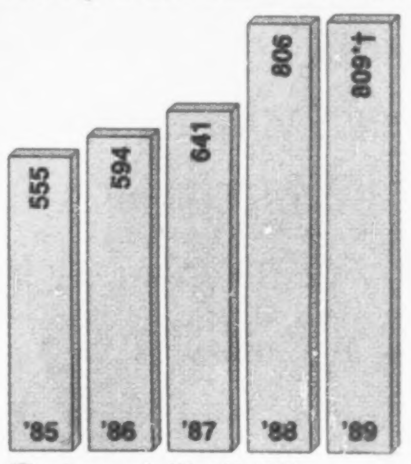
At fiscal year-end Nov. 30, Thrifty had 425 IBM POS systems in Thrifty and Thrifty Jrs., including 110 with scanning. It plans to add 45 POS systems and 215 scanners in 1990. At Pay 'n Save, 46 had POS systems at year-end and 44 more will get it this year.

Thrifty operating margin slips



Source: Company reports

Thrifty store count stable



*Fiscal year ended Nov. 30, 1989

†Includes 571 Thrifty, 81 Thrifty Jr., 151 Pay 'n Save and Bi-Mart stores, which opened as of Aug. 31, 1989. Does not include 256 sporting goods stores.

Source: Company reports

Thrifty at a glance

Name: **Thrifty Corp.**
Headquarters: **Los Angeles**
Parent: **Pacific Enterprises**
Officers: **Leonard H. Straus, chairman; Richard Eils, ceo, president, and chief operations officer; Daniel Seigel, executive-vp.**
Sales: **$3.1 billion**
Stores: **809 Thrifty, Thrifty Jr., and Pay 'n Save Drug stores, and 256 Bi-Mart discount stores and sporting goods stores.**
Markets: **11 Western states including Hawaii and Alaska.**
Highlights: **Richard Eils adds the title of ceo, as Daniel Seigel is named to a new post of executive vp; Thrifty revenues top $3 billion; the chain plans to double its installation of a new POS system in second year of rollout; the integration of Pay 'n Save continues with a new management team from Thrifty under Richard Dortch, executive vp and general manager, Pay 'n Save.**

We wrote the book on fast turns.

Mark this fast turning promotion on your calendar. Pennzoil is now offering your customers a free Pennzoil Car Care Savings Book. With coupons valued at over $80 on top-quality, name brand car care products. And we're offering you special product allowances, restocking, and advertising cost reimbursement incentives.

All you have to do is advertise and promote Pennzoil's Car Care Savings Book and run a two-week off-shelf display. All your customers have to do is buy five quarts of specially marked bottles of Pennzoil Motor Oil. Then we'll send them their Car Care Savings Book, free. You'll attract lots of traffic with an offer this good. And that means faster turns.

During April and May, Pennzoil will support this exciting promotion with print ads and television commercials featuring Indy legend Rick Mears. As well as attention-grabbing radio commercials.

You'll also get free point of sale materials, a co-op T.V. commercial and radio scripts. For complete details on how you can participate in Pennzoil's Car Care Savings Book promotion, contact your Pennzoil representative today.

Because when it comes to big savings for your customers and fast turns for you, we wrote the book.

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World Class Protection
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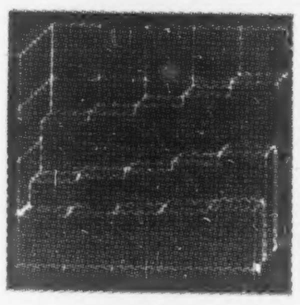
Decentralized Longs sees sales sail past $2B mark



WALNUT CREEK, Calif. — Longs Drug, still the only large drug chain to favor decentralized store management, posted strong 10-percent sales and earnings gains in its fiscal year ended Jan. 25, and hurdled the $2 billion sales barrier.

Longs added 12 stores to its roster, as sales reached $2.11 billion, and earnings rose to $61.29 million.

"Long's decentralized structure is the keystone. . . . [It] holds our other unique components in place," chairman Robert Long told *Inside Retailing*, a sister Lebhar-Friedman publication recently. "One such component is our managers [who] can think and reason for themselves. They literally customize the stores to the customers they serve."

On the technology front, Longs appears ready to decide on a front-end system that it estimates will cost $25 million. After testing POS systems in a handful of stores over the past two years, a system should be decided upon and launched later in 1990, Bill Combs, vp and chief financial officer, told *Drug Store News*.

Longs last year boosted shares in its employees stock ownership plan to 14.3 percent of total shares; about 40 percent of Longs is closely held by employees and family members.

With the intent to acquire top-selling pharmaceuticals at lower costs, Longs last year launched a warehouse program in San Diego which gave store managers an alternative buying source.

The vast percentage of Longs merchandise is bought at store level by managers. Longs operates four redistribution centers, which add up to 450,000-square feet; they are used as staging areas, where merchandise bought by stores is consolidated and shipped.

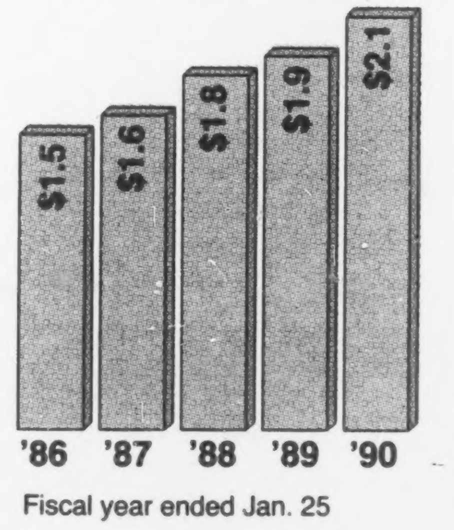
At the mid-year point, Longs unveiled a new store decor package, which is still being evaluated. Meanwhile, the chain's highest volume pharmacies continue to receive the "super pharmacy" design for increased efficiency. It outfits the pharmacy with a longer counter and separate prescription drop-off and pick-up counters linked by conveyor.

Longs at a glance

Name: **Longs Drug Stores**
Headquarters: **Walnut Creek, Calif.**
Sales: **$2.1 billion**
Stores: **248**
Markets: **California, Colorado, Arizona, Nevada, Hawaii, and Alaska**
Highlights: **Sales top $2 billion; launched San Diego-based warehouse program; bowed new decor package.**

Longs' sales growth

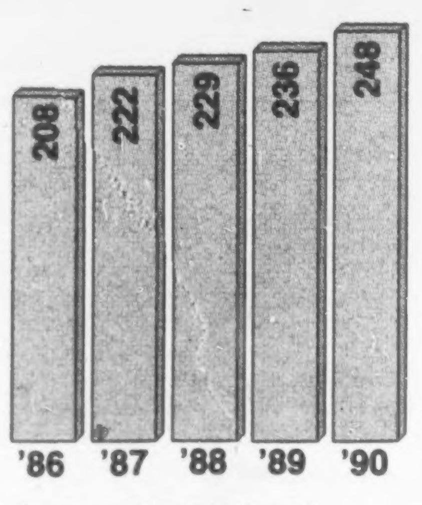
(In billions of dollars)



Fiscal year ended Jan. 25

Source: Company reports

Longs' store count



Fiscal year ended Jan. 25

Source: Company reports

Every year, 7 out of 10 women change their hair.

And their shampoo.

Over half the women in America perm or color-treat their hair on a regular basis.* So we've created Neutrogena® Shampoo and Conditioner for Permed or Color Treated Hair just for them.

Our unique moisturizing formula keeps hair looking its best. Colors stay vibrant. Curls stay bouncy.

Which is good news for the estimated 64.4 million American women who perm or color-treat their hair.

And even better news for you.

Neutrogena
Shampoo
moisturizing formula
for permed or color treated hair

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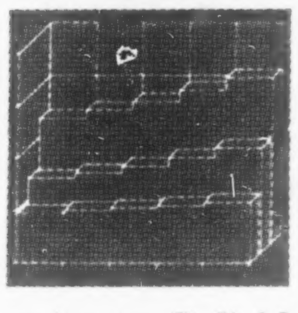
*1989 *Modern Salon* Client Survey.

Higher sales, lower costs turn Peoples around



ALEXANDRIA, Va. — Peoples Drug Stores achieved two milestones during 1989: The chain returned to profitability and, with the sale of 120 former Haag units to Reliable Drugs in August, completed its targeted divestiture of 325 stores in the Southeast and Midwest.

Peoples ended the year with operating earnings of $12.5 million (U.S. dollars), compared with an operating loss of $2.5 million for 1988 (both figures before goodwill amortization).* Revenues for 1989 were $1.02 billion.

Three key factors

David R. Bloom, chairman and chief executive officer of parent company Imasco's Drug Retailing Group, cited three key factors in the turnaround: higher comparable-store sales, a careful monitoring of gross margins, and lower expenses.

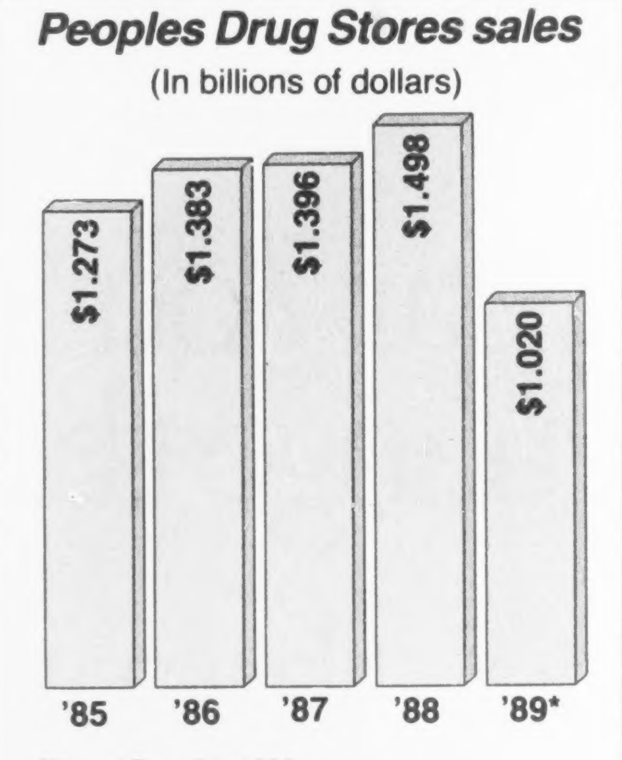
Comparable-store sales were up, 6.7 percent, compared with 5.9 percent last year, and comparable prescription sales increased 9.9 percent over 1988.

At 486 stores, the slimmed-down chain isn't exactly a shadow of its former self. It's still the tenth-largest chain in store count and the twelfth-largest in dollar volume, plus being No. 1 in market share in all but one of its primary metro markets. Average sales per store are $2.1 million (U.S.), and sales per square foot average $250.

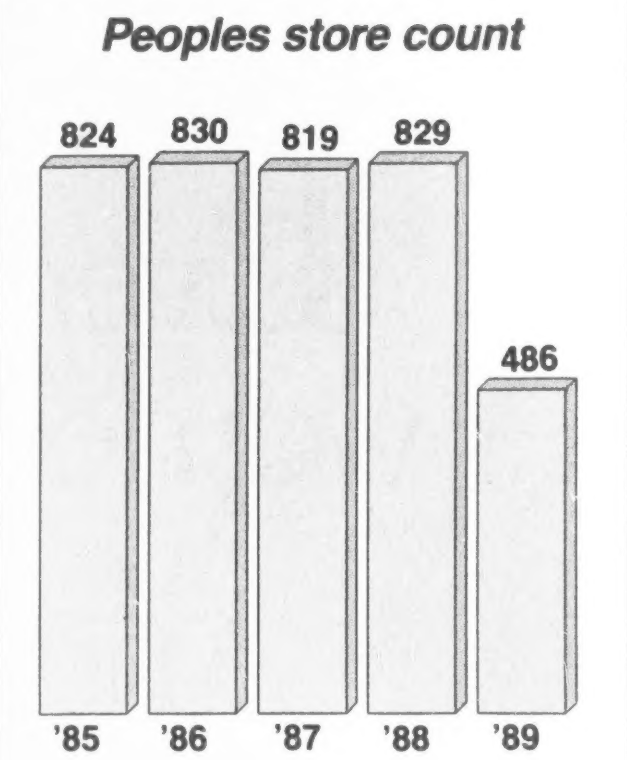
Among other measures, Peoples has stepped up its marketing efforts, which include themed circulars and emphasis on its pharmacies and pharmacists, as well as joint promotions, sponsorships and other components. The chain also is closely monitoring key product pricing to ensure competitiveness.

Peoples at a glance

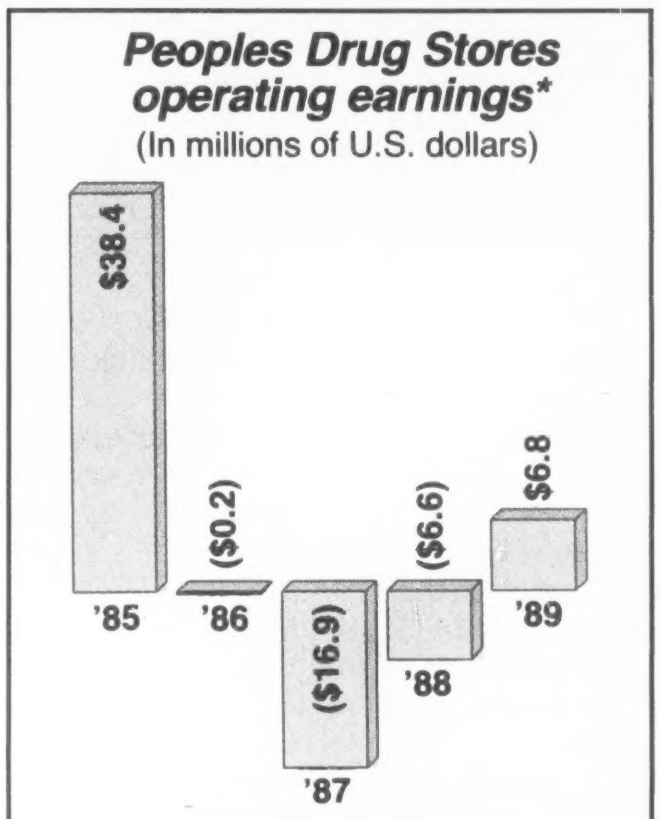
Name: **Peoples Drug Stores**
Headquarters: **Alexandria, Va.**
Parent: **Imasco Ltd.**
Officers: **David R. Bloom, chairman, ceo, Imasco Drug Retailing Group; David Eisenberg, president and chief operations officer, Peoples.**
Sales:**$1.02 billion**
Store count: **486**
Market: **Washington D.C.; Maryland, Virginia, West Virginia, North Carolina, Pennsylvania, New York, and Ohio.**
Highlights: **With sale in August of 120 former Haag Drug stores to Reliable Drugs, Peoples completed divestiture of 325 stores in the Southeast and Midwest. It also returned to profitability in 1989.**



FY end Dec. 31, 1989.
*Reflects smaller store base following divestiture of 325 stores.
Source: Company reports



Source: Imasco Ltd.



*Includes the amortization of purchase allocations arising from acquisition.
Source: Company (Imasco Ltd.) reports

In addition, Peoples created new packaging during 1989 for its extensive private label program, backing its Quality First symbol with a money-back guarantee.

This year, Peoples plans to open 13 stores. Its ambitious remodeling pace—110 major remodels in 1988—has moderated. A total of eight major remodels were completed in 1989 and the company plans to remodel 21 more this year.

With scanning already in 140 stores, the chain plans to equip 100 more stores by the end of 1990. All pharmacies are computerized.

Toward the end of the year, David H. Eisenberg, who as senior executive vice president had steered Peoples through some of its toughest times, was promoted to president.

At the time of the appointment, Bloom said of Eisenberg: "He has been instrumental in developing an exciting, new, re-invigorated Peoples Drug."

*Editor's Note: * = Including amortization of purchase price allocations arising from acquisition, 1989 operating earnings were $6.8 million (U.S. dollars), compared with a loss of $6.6 million for 1988.*

Imasco's Shoppers Drug Mart improves profitability in '89

WILLOWDALE, Ontario — Shoppers Drug Mart (SDM; Pharmaprix in Quebec), part of the Imasco Drug Retailing Group, is Canada's largest drug store group. It enjoys a 33 percent share of the market, up a point from last year, according to research compiled by Statistics Canada.

SDM's systemwide sales rose to $2.6 billion (Canadian) for 1989, and operating earnings jumped 24 percent, to $70.6 million (Canadian). Comparable-store sales were up 7.9 percent, and sales per square foot were $736 (Canadian), one of the highest in the industry.

As Herbert R. Binder said would be the case when he became president early last year, 1989 was essentially a year of consolidation for Shoppers. The drug store group focused on improving productivity and profitability of existing stores, especially the ones converted from Super X and Howie's formats.

Expansion was moderate. The chain, which operates in all 10 provinces and two territories, opened or acquired 27 units and closed seven during the year, for a year-end store count of 633, and renovated or upgraded 58 units.

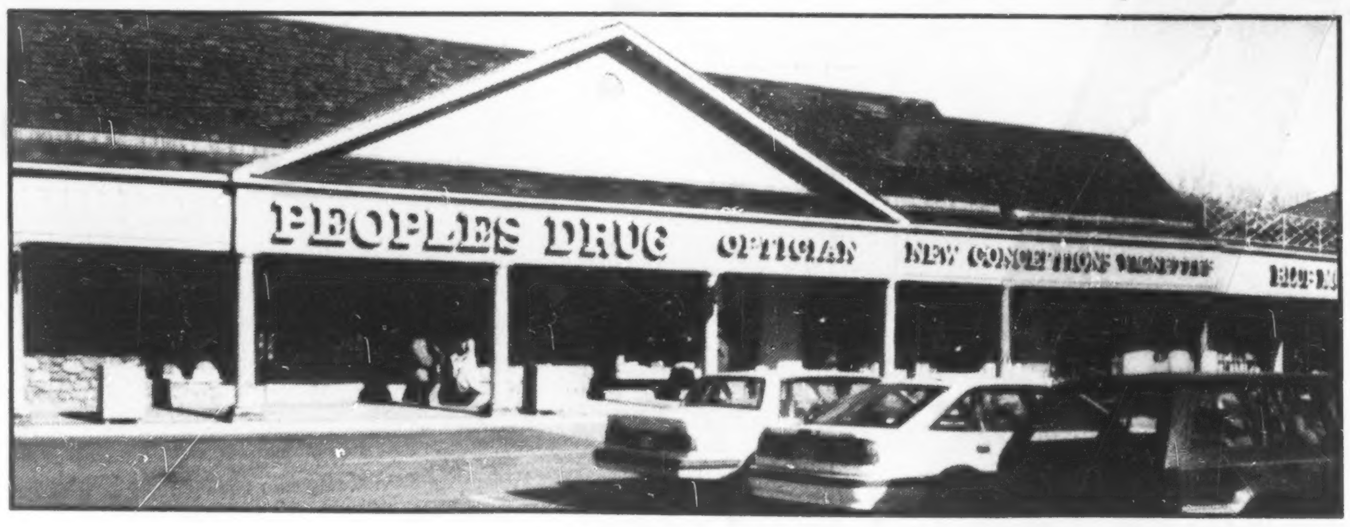
There are 37 Food Basket combo stores and 18 Shoppers Home Health Care Centres, with more of the latter planned. The increase from 24 to 37 Food Basket stores, which combine the regular drug store mix with selected food items, reflects Shoppers' response to combo competition.

While SDM plans to finish rolling out a computerized bookkeeping system and software to generate marketing and operational data over the next three years, rollout of point-of-sale terminals will proceed at a slower pace, the company indicated. All pharmacies are computerized.

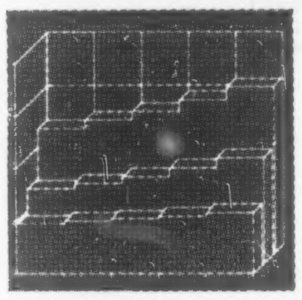
SDM also expanded its dedicated warehouse system during the year, improving stock turns and profits. Some 1,200 different products are available through the independently owned warehouses.

In October, Dale Daley was named senior executive vp-operational services for Shoppers.

Peoples Drug Stores (below), which divested itself of about 325 stores in the Southeast and Midwest during 1989, is now focusing on about 490 stores in core markets. Trained cosmeticians (right), who can be found in about 225 stores, generally work in cosmetics departments located at the front of the stores, as in this Washington D.C. unit.



Efficiencies, new units nudge CVS sales to $2B



WOONSOCKET, R.I. — Powered by increasingly effective operations and 37 new stores, CVS nudged the $2 billion revenue mark and posted 29.2 percent gains in operating profits in 1989.

Sales from CVS pharmacies and H&BA stores were $1.95 billion in the fiscal year ended Dec. 31, up from $1.68 billion in 1988. Freddy's deep discount stores generated additional sales of $160.7 million.

The division's operating profits climbed 29.2 percent to $166 million from $128.5 million a year earlier. Robert Huth, executive vp and chief financial officer at parent Melville Corp., told *Drug Store News* that "very strong performances" at CVS pharmacy and H&BA stores led growth.

For its part, Freddy's expanded within its current states of operation, New York and Florida. Seven opened in 1989, raising the roster to 25, with seven more planned this year, Huth said.

The 37 stores CVS added, all with pharmacies, were concentrated in California (up 11 to 71), Massachusetts (up 11 to 217), and New Jersey, (up six to 94). Serving 14 states currently, CVS is strongest in Connecticut (71), New Hampshire (27), New York (160), Pennsylvania (56), and Rhode Island (46). CVS ended the year with 789 stores, 582 with pharmacies.

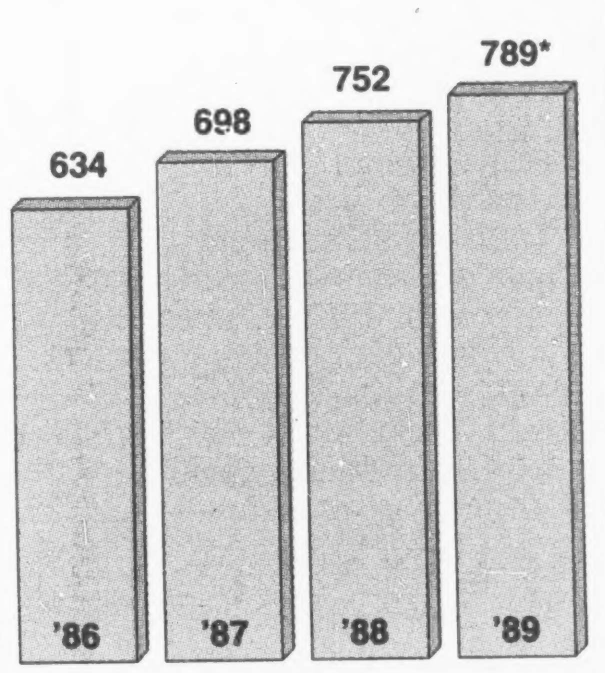
CVS said its plans to open 50 more drug stores in 1990.

To support this growth, CVS increased distribution capacity by opening a 400,000-square-foot DC in New Jersey. That raised the chain's warehousing footage to 2,075,000 square feet.

On the management side, Thomas Ryan, CVS's senior vp-pharmacy for 10 months, was promoted to executive vp-operations to replace J. Kevin Hughes, who retired. Ryan joined a three-person executive vp tier that includes Gary Charboneau in charge of marketing and David Jonson, administration, reporting to president Harvey Rosenthal.

CVS is on the verge of committing to a POS system and launching a rapid rollout, Huth said. Since installing seven point-of-sale registers with scanning capability in 1988, CVS equipped just two more stores in 1989 as it continued to review several different systems. "They are very studied and deliberate about putting in new systems," but should be choosing a direction this year, Huth said.

CVS store count grows



*582 have pharmacies

Source: Company reports

CVS at a glance

Name: **Consumer Value Stores** (CVS)
Headquarters: **Woonsocket, R.I.**
Parent: **Melville Corp.**
Officers: **Stanley Goldstein,** president, Melville Corp; **Harvey Rosenthal,** president, CVS.
Sales: **$1.95 billion**
Stores: **789**
Markets: **11 Northeastern states, Ohio, Michigan and California.**
Highlights: **Approached the $2 billion level in sales, opened a 400,000-square-foot distribution center.**

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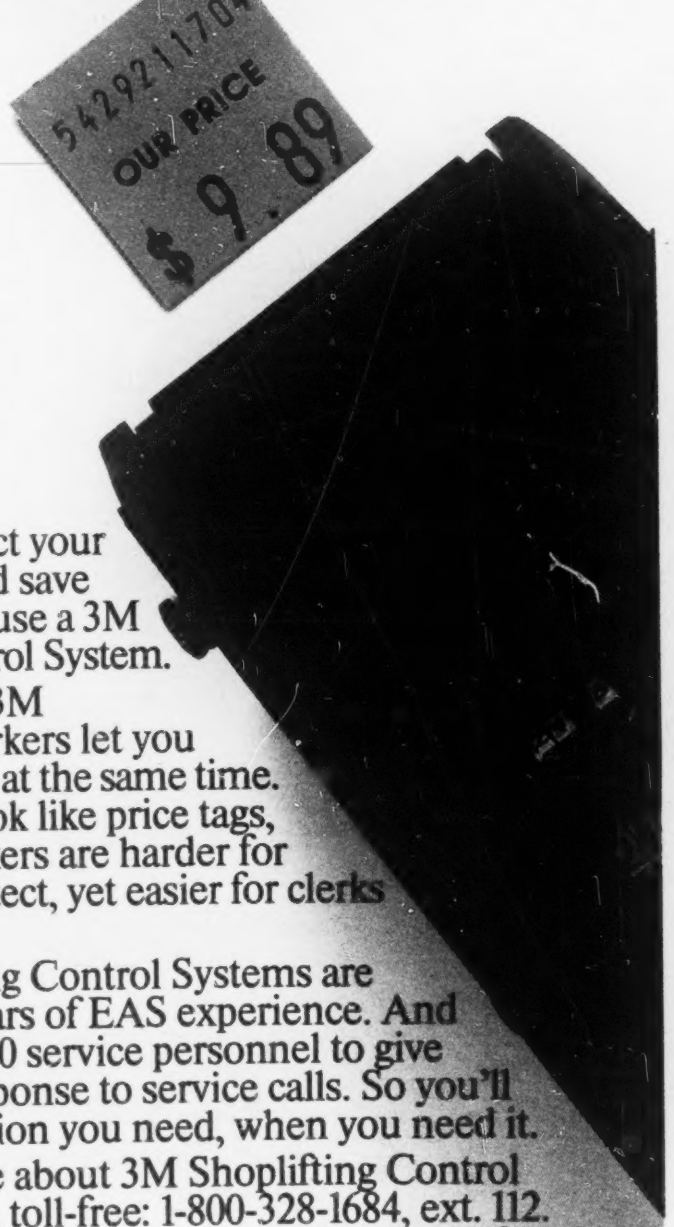

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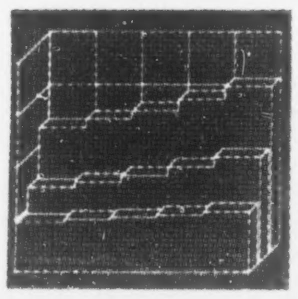
Three-pronged growth strategy puts Fay's on right track in '90



LIVERPOOL, N.Y. — Fay's growth strategy was on track in 1989. Sales rose 9 percent in the year ended Jan. 27, 1990 to $574.1 million, as the company added 22 drug stores, eight Wheels auto parts stores, and three Paper Cutter office supply stores.

Currently Fay's operates 174 drug stores, 24 Wheels, and 17 Paper Cutters. Fay's five-year plan calls for as many as 280 drug stores (super drug formats of 13,800 square feet and bantams ranging from 3,500 to 9,000 square feet), 120 Wheels units, and 60 Paper Cutter stores to generate $1 billion in corporate sales by 1994.

Net earnings for the year were up to $10.4 million, or 68 cents a share, compared to 66 cents a share last year. (The prior year's earnings are restated to account for a 10 percent stock dividend distributed in the summer of 1989, which Fay's offered in addition to its regular cash dividend).

Key performance indicators showed underlying strength. Fay's continued to improve gross margin, to 30.2 percent, up from 29.6 percent in 1988 and 26.8 percent four years ago. Same-store sales grew 6.2 percent, a faster clip than 1988's 5.2 percent.

"I am confident that our marketing approach in all divisions and the measures being undertaken to contain expansion costs will result in Fay's reestablishing its consistent pattern of profitable growth witnessed over the last several years," said chairman Henry A. Panasci Jr.

Indeed, despite competition from combos such as Wegmans in Rochester, N.Y., Fay's has steered a steady recovery course from three years ago, when new store development costs brought a brief red period.

Refinements of pricing and the merchandise mix are primary reasons for the uptrend. Much credit must also go to top managers, who have coalesced as a team in recent years as duties were reorganized to more effectively direct growth of three retail divisions.

The team is made up of Larry Rose, president and chief operations officer, and Dan O'Leary, executive-vp, support and services, who report to Panasci on behalf of the three divisions.

Reporting to Rose are John Kogut, drug store division president; David Panasci, president, Paper Cutter; and Gale Mitchell, president of Wheels.

Fay's extensively revamped its private label program, including a new logo for a family look, upgraded quality control, and stronger promotions. Paul Novaro was hired as head of private label marketing, with the goal to build it to 6 to 7 percent of sales.

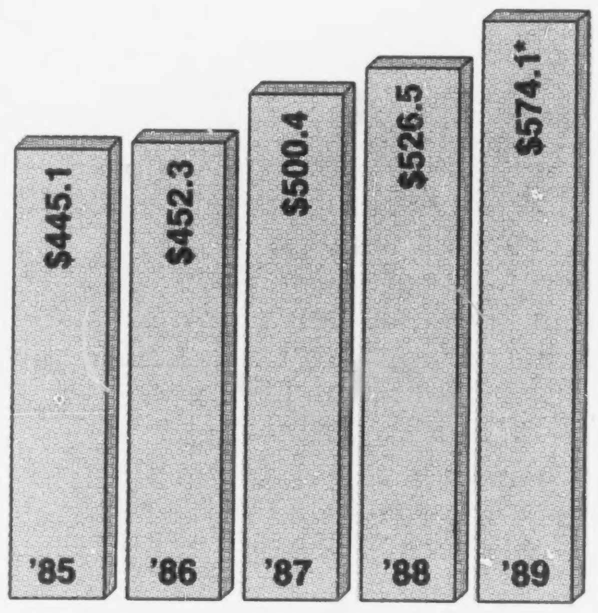
As Fay's continued rolling out new POS and pharmacy systems, stores with scanning jumped in number to 96, after 87 stores received it during the year.

Fay's at a glance

Name: **Fay's, Inc.**
Headquarters: **Liverpool, N.Y.**
Officers: **Henry A. Panasci Jr., chairman and chief executive officer; Larry Rose, president and chief operations officer.**
Sales: **$574.1 million**
Stores: **174 drug stores, 24 Wheels auto parts stores, 17 Paper Cutter office supply stores.**
Markets: **New York and Pennsylvania**
Highlights: **Fay's moved farther west in Pennsylvania with its strategy of opening new super drug stores and buying independents' smaller stores.**

Fay's sales improve

(In millions of dollars)



*Fiscal year ended Jan. 27, 1990.

Source: Company reports

Sales are corporate figures covering drug stores, Wheels and Paper Cutter units.

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Pay Less charges into 1990s on a fast growth track

WILSONVILLE, Ore. — The Northwest's biggest drug chain is on a tear. Backed by the financial muscle of its parent company, K mart Corp., bolstered by a young, aggressive management team and increasing sales and earnings momentum, Pay Less Drug Stores NW is pushing ahead with new stores and new strategies.

In mid-March, the chain opened its 300th drug store in Clackamas, Ore., a suburb of Portland. That milestone comes in the midst of a planned 40-store expansion this year, on top of 32 new stores in 1989.

Meanwhile, Pay Less has upped its store renovation schedule based on a new store prototype first unveiled early last year outside Sacramento, Calif. The chain plans 12 major remodels this year, and will do less extensive renovations to another 10 units.

For the most part, new stores are serving to strengthen Pay Less' penetration of existing markets and extend the chain into smaller communities in the nine-state western region it serves. The chain is beginning to reap big rewards by snapping up locations in rapidly growing communities to the east and south of Los Angeles, where store sales are reportedly rising 10 to 15 percent and pharmacy sales are growing a whopping 35 percent.

Pay Less is also generating big gains in new and remodeled stores thanks to its successful introduction of the new store format. The prototype emphasizes pharmacy, cosmetics and other core departments.

The company's expansion and renovation efforts are pushing it rapidly toward the $2 billion sales mark. Sales were up a healthy 23 percent last year, to $1.6 billion.

Meanwhile, Pay Less is pushing ahead with the rapid installation of front-end scanners, already in place in more than 200 stores. Installation should be 90 percent finished by the end of the year and chainwide by the first quarter of 1991, according to McAlear.

Pay Less marked another milestone last year with the retirement of longtime chairman and chief executive Ed Hart after more than 40 years with the chain.

Pay Less is now run by a cadre of young and enthusiastic executives and managers, headed by president and ceo Ron Schiff, McAlear, vp-merchandising Jerry Kuske and others. Those top leaders have demonstrated a marked receptiveness to new ideas--many of which have percolated up from the stores and support people.

Pay Less NW at a glance

Name: **Pay Less Drug Stores NW**
Headquarters: **Wilsonville, Ore.**
Parent company: **K mart Corp.**
Officers: **Ron Schiff,** president and ceo; **Tim McAlear,** executive vp and chief operations officer.
Sales: **$1.6 billion**
Store count: **300** as of March 16, 1990.
Average store size: **27,700** square feet (21,954 selling)
Markets: **California, Oregon, Idaho, Nevada, Washington, Arizona, New Mexico, Montana, Colorado.**
Highlights: **Ed Hart retires; Schiff named ceo; new prototype opens successfully; store expansion accelerates.**

Serviced cosmetics is an anchor of the Pay Less prototype, which is quickly winning consumer favor.

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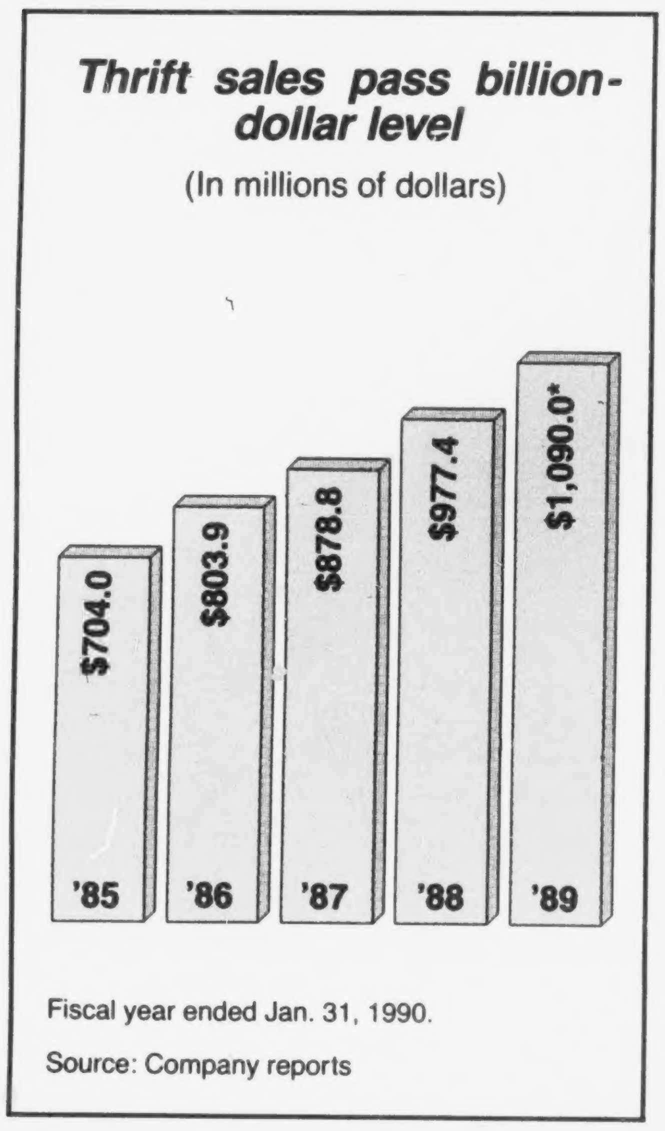
Thrift surpasses $1 billion mark in sales for 1989

PITTSBURGH — Thrift Drugs cracked the $1 billion sales mark in 1989 after posting annual double-digit sales growth through the decade. Sales for the fiscal year ended in January hit $1.09 billion, up 11 percent from last year.

The decade's revenue growth was usually accompanied by similar gains in earnings, and by a steady building of the drug store base. Since 1987, Thrift has accelerated store openings to about 30 drug stores a year. That continued as Thrift added 32 drug stores in 1989 for a fiscal year-end total of 472. The chain plans to open 30 more in 1990.



Fiscal year ended Jan. 31, 1990.

Source: Company reports

It operates stores in 19 Eastern, Mid-Atlantic and Southern states. Its strongest markets are Pennsylvania (236 stores), New Jersey (65), Georgia (64 Treasury sites) and Delaware (14).

Visionary prototype

Thrift unveiled a radically new prototype that, naturally, emphasizes pharmacy, cosmetics, OTCs and H&BAs. Merchandise is grouped into three distinct "worlds": drug, convenience and beauty.

The "worlds" prototype is regarded as one of the trade's most interesting launches in recent years. As many as five may open in this year's first quarter, a chain source said.

A 10-foot-wide center aisle runs directly from two doors at the front of the store to pharmacy at the store's rear-center. The aisle is flanked by low-profile gondolas that are set parallel to the front wall. OTCs are arrayed on shorter gondolas that fan out by pharmacy. A prominent, well-styled front-end checkout extends well into the store, and has a "V-shaped" counter that channels consumers to either side and both doors.

POS commitment

Thrift also kicked into high gear on POS implementation. Having started the year with 140 stores on NCR 2154 POS scanning registers, Thrift ended 1989 with 337 stores equipped, and plans to be chainwide in 1990.

PAIN RELIEF

Short runs of OTC gondolas fan out and face the pharmacy for high visibility in Thrift's Store of the Future prototype.

The chain also entered the deep discounting arena when it acquired two Drug World stores as part of its purchase of 10 Georgia stores from SupeRx of Arizona. Thrift converted the conventional stores into its Treasury format.

In a Monroeville, Pa. drug store, Thrift began an experiment with a 600-square-foot self-service snack center, which features self-serve frozen yogurt and beverage bar, and a microwave oven. These 60-percent-plus margin centers will be placed inside stores that already draw heavy traffic. Thrift also operates 30 stores with full convenience food departments.

Thrift at a glance

Name: **Thrift Drug**
Headquarters: **Pittsburgh**
Owner: **JCPenney Co.**
Officers: **Robert Hannan, president; Tony Civello, executive vp-operations.**
Sales: **$1.09 billion**
Stores: **472**
Markets: **Pennsylvania, and 18 other Mid-Atlantic, Southern and Midwestern states.**
Highlights: **Topped the $1 billion sales mark as it added 32 drug stores; launched "Store of the Future" prototype; bought 10 SupeRx stores in Georgia.**

Genovese in 1990: more stores, upgraded systems

MELVILLE, N.Y. — While its first Health and Beauty Expo helped Genovese Drug Stores highlight its 65th year in business and its commitment to the self-health market, the chain was also working hard behind the scenes during 1989 to prepare for the years ahead.

In addition to opening six stores and remodeling six others during the year, Genovese has almost finished bringing major categories into its approximately 260,000-square-foot distribution center and modernizing warehouse systems; has passed the halfway mark in rollout of second-generation pharmacy computers with on-line adjudication capability; and has reviewed its scanning needs, based on seven stores currently equipped, with further rollout, possibly to 12 stores this year, under consideration.

"We've spent a lot of money over the last year or two in the electronics area — on the warehouse, the mainframe at headquarters, POS and second-generation pharmacy computers," said vp-marketing Don Gross, "and that's hurt our bottom line. But we're getting ready for the future."

Moreover, Genovese has opened 13 stores over the past 18 months, which haven't yet reached maturity.

These factors, plus increased competition and higher interest rates, have affected the chain's earnings. While sales for fiscal 1990 (ended Feb. 2) increased 10.6 percent to $405.1 million, compared with 1989's $366.4 million, net income dropped to $2.8 million from $5.5 million for the previous year.

Genovese at a glance

Name: **Genovese Drug Stores**
Headquarters: **Melville, N.Y.**
Officers: **Leonard Genovese,** chairman and president
Sales: **$405.1 million**
Store count: **96**
Average store size: **12,000 square feet (10,500 selling)**
Market: **New York, Connecticut, New Jersey**
Highlights: **Staged first Health and Beauty Expo; invested heavily in technology; its Genrex Nursing Homes Services acquired Bell and Halpern Nursing Home Co.**

Genovese's first deep discount store, Great American Drug Store, which launched in October 1988, is "quite successful," Gross said, and the chain converted a drug store in Elmont, Long Island, to the second Great American last fall. The 96-store chain is looking to open about four stores this year, including one or two more Great Americans, Gross said.

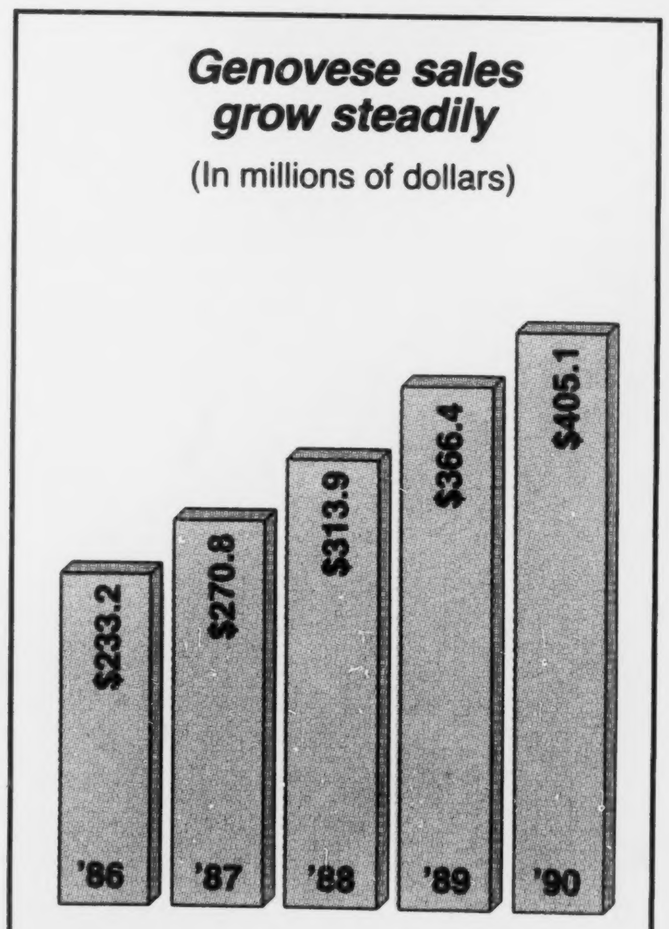
Nursing home supplier

In January, Genovese's Genrex Nursing Home Services division acquired Bell and Halpern Nursing Home Co., becoming the major supplier of pharmaceuticals to nursing homes on Long Island, serving more than 50 facilities.

On March 19, Genovese promoted senior vp Herbert J. Kett to vice-chairman of the company and also appointed him president of the Genrex division. Kett will continue to be responsible for real estate interests, legislative affairs, new businesses and corporate security.

In addition, Allan Patrick moved up from senior vp to executive vp, responsible for Genovese's store operations, merchandising, advertising and distribution.

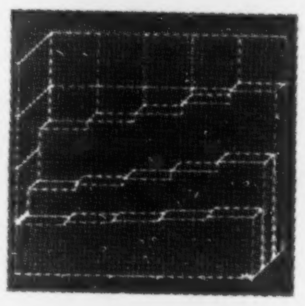
Pharmacy and photo stood out as department performers this past year. Pharmacy sales have been rising steadily and currently account for 27 percent of total sales. Genovese's photo business, which had been flat early last year, has been posting sizable increases since then, attributable to aggressive promotion, the appointment of David Reynolds as general manager to the photofinishing group, and the upgrading of products and services, including the addition during the second quarter of overnight delivery of 4-inch 35mm color prints, Gross said.



Years ended Jan. 31, '86; Jan. 30, '87; Jan. 29, '88, Feb. 3, '89 and Feb. 2, '90.

Source: Company reports

Big B consolidates 85 Reeds, enters Atlanta, ups food sales



BESSEMER, Ala. — This past year was crucial in positioning Big B for the '90s. It completed its consolidation of 85 Reed Drug stores acquired last year from Peoples, and moved into a major new market—Atlanta.

By expanding into Atlanta, Big B has made Georgia its second-largest market. Today, with the Reed stores almost completely converted into Big Bs, the chain now operates about 130 stores in Georgia, almost as many as in its home state of Alabama.

For the rest of 1990, Big B plans to concentrate on saturating Georgia with more store openings. Most of a projected 15 new stores slated to open this year will be in greater Atlanta, executive vp Arthur "Mac" Jones said.

"We'll still open some stores in Alabama," he said, "but with 140 stores here, we're close to saturation." Big B also plans to fill in more stores in Tennessee, Florida, and Mississippi.

Since acquiring Reed, Big B's total volume increased 54 percent to $417 million. Same-store sales rose about 8.5 percent, Jones said.

Pharmacy accounts for roughly 40 percent of chainwide sales, and H&BA 25 percent. Food and photo are the next strongest categories, with food showing above-average double-digit growth, according to Jones.

Some Big B stores have convenience food departments in neighborhoods with no food-store competitor nearby, but most display expanded dry groceries, including candy, snacks, microwavable meals and other convenience foods, as well as bottled waters, soft drinks and juices. All stores also have coolers for single-serve beverages.

Growing deep discount side

Big B also opened five more Drugs For Less deep discount stores in 1989, including three in Atlanta, and plans to open five more in 1990.

Jones said Big B opened its first Drugs For Less about five years ago as an "experiment," but added that it has been able to grow without cannibalizing sales of Big Bs.

"We think the Drugs For Less shopper is coming from food stores, Wal-Marts and K marts. The drug stores are still attracting the convenience shoppers," he said.

Same-store sales at Drugs For Less are growing 15 percent annually. The average 20,000-square-foot Drugs For Less generates $2.5 million a year, compared with 9,000-square-foot Big B stores, which average $1.5 million a year.

This year, Big B will further saturate the Atlanta market on the way to its $475 million sales goal. Over the next two years, Big B plans to add scanners chainwide. All Drugs For Less stores currently scan, as do about half of the Big B stores.

Big B at a glance

Name: **Big B**
Headquarters: **Bessemer, Ala.**
Officers: **Anthony Bruno, president; Joseph Bruno, chairman**
Sales: **$417 million**
Store count: **297, including 16 Drugs For Less**
Average store size: **Big B, 9,000 square feet; Drugs For Less, 20,000 square feet.**
Markets: **Ala., Ga., Tenn., Fla., and Miss.**
Highlights: **Converted 85 Reed stores to Big B name and logo. Generated same-store sales growth in excess of 8 percent. Opened five Drugs For Less deep discount stores.**

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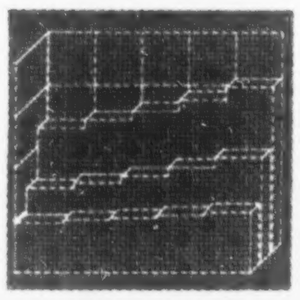
Softmark has just made every

HSI gets boost from Brooks as sales climb 35%

Hook-SupeRx at a glance

Name: **Hook-SupeRx, Inc.**
Headquarters: **Cincinnati**
Officers: **Philip Beekman, chairman; executive vps and divisional presidents: Gary Hendren, SupeRx; Thomas Cunningham, Hook; Gayl Doster, Brooks.**
Sales: **$1.73 billion**
Stores: **337 SupeRx, 368 Hook, 335 Brooks, as of Aug. 31, 1989.**
Market: **24 states in the Midwest, South and Northeast**



CINCINNATI — The Brooks division of Hook-SupeRx, Inc. contributed greatly to its new parent's 35-percent sales increase in the latest fiscal year, and is improving in its own right.

HSI, while digesting that major acquisition, also added 12 stores in the fiscal year ended last August. The company complemented that in November with the purchase of 13-store Cavett Drug outside Chicago, where HSI had only two stores previously.

Brooks, said company sources, is improving steadily with new inventory control and purchasing systems, and stronger merchandising.

And some management shifts took place. Thomas Cunningham, a 30-year Hook veteran was named president, succeeding Newell Hall. Richard Morrissey left Brooks, where he served as merchandising vp to replace Mark Varnau, who retired as vp-marketing.

Michael Jones was named to the new corporate post of vp-warehousing and distribution. HSI posted net sales of $1.73 billion, including 12 months of sales from Brooks, acquired in June 1988. In the prior year, sales were $1.28 billion, including two-and-a-half months of Brooks sales. Excluding Brooks ($332.3 million in 1989), corporate sales rose 9.5 percent and same-store sales 8.1 percent.

Net loss posted

The company posted an on-paper net loss of $8.5 million, after $43.6 million in non-cash charges. Interest costs were $58 million.

Pharmacy accounted for 41 percent of sales in the fiscal year ended Aug. 31. Third party made up 40 percent of that, compared with 36 percent in 1988, and 33 percent in 1987.

For its first quarter ended Nov. 30, 1989, HSI posted a 7.3-percent sales gain and 6.4-percent same-store sales gain to $443.7 million. Prescription sales grew to 43.1 percent, due to more third party business, the company reported.

Hook and SupeRx expand; Brooks contracts

SupeRx: '87—313 stores; '88—323; '89*—337.

Hook: '87-335 stores; '88—357; '89—368.

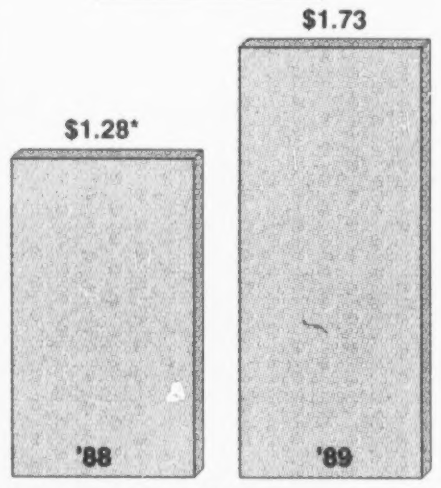
Brooks: '87-361 stores; '88—348; '89—335.

*Store counts as of fiscal year-end, Aug. 31, 1989.

Source: Company reports

Brooks acquisition adds to HSI sales

(In billions of dollars)



Fiscal years end Aug. 31
*Includes 2½ months of Brooks sales
Source: Company reports

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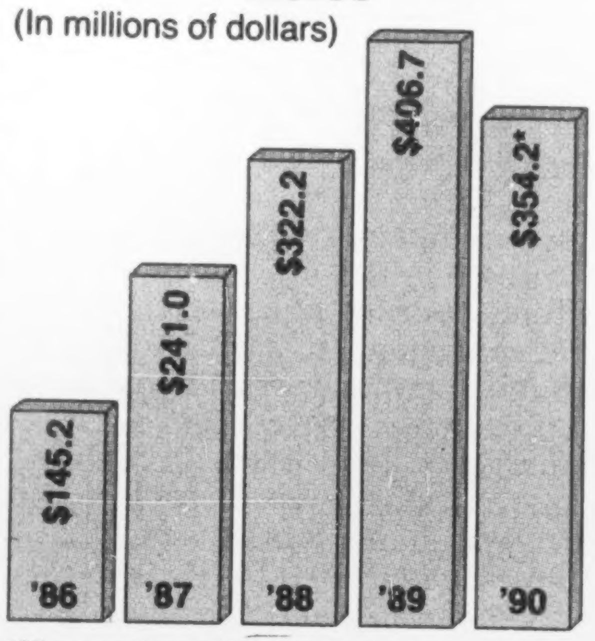
Sales from corporate-owned Drug Emporium stores
(In millions of dollars)

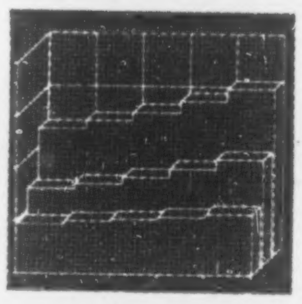


*Nine months ended Nov. 30, 1989.
Source: Company reports

Drug Emporium at a glance

Name: **Drug Emporium**
Headquarters: **Columbus, Ohio**
Officers: **Philip Wilber, chairman; Gary Wilber, ceo; Robert Lyons, president and chief operations officer.**
Sales: **(from corporate-controlled stores) $408 million, fiscal year ended Feb. 1989; $354.2 million, nine months ended Nov. 30, 1989.**
Stores: **79 corporate-controlled, 116 franchised.**
Average size: **25,000 square feet**
Markets: **30 states**
Highlights: **Drug Emporium franchisees moved into N.J. and N.Y.; company geared up for growth push in corporate stores; Gary Wilber became ceo, Robert Lyons president.**

Drug Emporium's sales to top $1B



COLUMBUS, Ohio — In its first full year as a public company, it seems certain that Drug Emporium will top the $1 billion sales mark, and it has come close to meeting its 200-store goal.

The only publicly-traded deep discount chain, Drug Emporium had 80 company-controlled stores and 113 franchised stores at fiscal year-end, Feb. 28.

Company-run stores produced $354 million in sales for the nine months ended Nov. 30, 1989, a 20 percent improvement over the prior year's period. Year-end results weren't reported by press time.

Moreover, the 13-year-old company is primed for more ambitious growth. Flush with $40 million from its stock sale and $50 million from a subordinated debenture sale, Drug Emporium plans aggressive growth in both company-run and franchised stores. Target markets include Washington D.C.; Baltimore; Los Angeles; Atlanta; Philadelphia; and Minneapolis.

Gary Wilber, ceo, said the chain could open as many as 50 to 60 corporate and franchised stores by 1992.

Meanwhile, new states targeted for introduction include New Jersey, New York, Rhode Island, and Massachusetts. When Drug Emporium closed its four-store Colorado franchise, exiting that state, it also entered New York and Nevada, raising its presence to 29 states across the nation.

New titles

Preparing for growth, founder Philip Wilber turned over the ceo post to son Gary while retaining the chairman's job. Robert Lyons, noted for his turnaround of the Philadelphia operation, was named president and chief operations officer.

In 1989, Drug Emporium's stock price had its ups and downs. In the early part of the year, strong earnings that exceeded analysts' forecasts helped to push the share price as high as 32 5/8 in June (from an initial IPO price of $14.50). In July, a two-for-one stock split halved the share price. Then, soft earnings in the second half caused the price to fall to $7.50 by press time.

Second-half earnings were affected by higher-than-expected store opening costs and a chainwide strategy of price-cutting, which reduced margins. Yet the price-cutting also propelled sales.

Drug Emporium opened four technician-staffed Health Test Centers in stores in Jacksonville, Fla., offering a range of health care tests.

A new advertising campaign being tested features "customer councils," focus groups of men and women discussing their preferences. The chain said it might rollout the concept chainwide.

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Arbor's firm grasp on home market spells success

TROY, Mich. — For Arbor Drugs, 1990 promises to be another year of record sales and profits.

Since tripling its store count the past five years through new store development and acquisitions, the industry has looked to the chain as a sterling example of a regional operator with its tentacles on a market. Observers note management's trained focus on drug store basics, tight expense controls and chainwide disciplines as marks of a well-run operation. Indeed, Arbor was voted *Drug Store News*' REX Small Chain of the Year in industrywide ballotting.

Specifically, Arbor operates 93 drug stores in the state, each averaging more than $3.5 million annually on $350 sales per square foot. In the fiscal year ended July 31, 87 stores generated sales of $300.2 million, a 21.8 percent hike from $246.5 million. Net income rose 37.7 percent to $9.2 million. In the period, comparable-store sales climbed 14.6 percent as new and acquired drug stores continued to build business.

Pharmacy volume itself was up 30 percent for the year, and now accounts for 36.8 percent of chainwide sales.

The uptrend is continuing through the first half of fiscal 1990. Net income for the six months ended Jan. 31, 1990 has risen 28.1 percent to $6.1 million, on a 14.3 percent sales gain to $169.7 million. Comparable-store sales rose 10 percent in the half.

During the latest quarter, Arbor opened five new stores, part of plans to open 12 to 15 and remodel eight to 10 this year.

The chain has also introduced Arbortech Plus, an enhancement to the chainwide pharmacy computer system, and has completed a pilot point-of-sale scanning test. Technological advances will bring even greater efficiencies to the distinctly well-merchandised stores.

Stores average 10,800 square feet, including 9,300 square feet of selling space. All are staffed by service cosmeticians and have full convenience food departments.

Very disciplined

"The stores are set up to do a lot of volume, and we spend the money to keep them up-to-date and consistent," Max Ernst, executive vp and chief operating officer once told *Drug Store News*. "We're very disciplined. . . all the stores have the same layout."

"We pay attention to detail, and we know our customers like what we're doing," said chairman Eugene Applebaum.

Their operating guidelines: constant review of the merchandise mix; a centrally-controlled buying and pricing policy that encourages store managers to focus on customer service and running the store; careful cultivation of a company image stressing health care, quality and everyday low prices through aggressive advertising; and neat, uncluttered stores cut from the same mold.

Arbor stores take a standardized approach to merchandising major branded lines of cosmetics and other core categories in a spotless environment.

Arbor at a glance

Name: **Arbor Drugs**
Headquarters: **Troy, Mich.**
Officers: **Eugene Applebaum, chairman, president and ceo; Max Ernst, executive vp and chief operating officer**
Sales: **$300.2 million**
Store count: **93 as of March 1, 1990**
Average store size: **10,800 square feet (9,300 selling)**
Highlights: **Voted REX Small Chain of the Year; achieved record results; launched ArborTech Plus pharmacy computer system and tested scanning in two stores.**

A trimmer Perry returning to basics amid turnaround

PONTIAC, MICH. — Perry Drug Stores, leader of the Michigan market, is recognizing that there's no place like home.

The 215-store chain is busy culling unproductive sites from its roster as it refocuses [illegible] Michigan and Illinois markets. It is spending this spring leaving Wisconsin and Indiana, and "redeploying assets where they can be most effective," said chairman and ceo Jack Robinson.

When the divestiture is completed, Perry will be operating 166 conventional drug stores and 16 A.L. Price deep discounters in Michigan, and 24 conventional stores in the Chicago area. After two years of gradual downsizing, Perry plans to add 10 new stores this year, including one A.L. Price and another 20 in fiscal 1991. Most of the growth will be in Michigan.

The subject of growth is a positive one at Perry, which is turning itself around after two prior years of big losses. In the latest fiscal year, ended Oct. 31, Perry posted net earnings of $7.1 million on sales of $669.6 million, after applying tax-loss carryforwards.

Causes of turnaround

The Perry turnaround can be attributed to: top managers drawn from a broad retail base; a shift to basic drug store merchandise, with an accompanying refocus on health care; aggressive efforts to spruce up Perry's home-market image; and a major store renovation and remodeling program, based on development of a new store prototype.

Those efforts will continue without Gary Allen, senior vp-store operations, who was recruited two years ago by president David Schwartz, his former boss at Albertson's. Allen played a major role in revitalizing Perry, introducing greater field autonomy and making an imprint on the "Store of the '90s" prototype. Schwartz will assume these additional duties; divisional heads who formerly reported to Allen will now report directly to Schwartz.

The store format, already retrofitted to nearly 100 stores since its 1988 introduction, leans heavily on service and a dense, high-impact presentation of core drug store categories. Perry plans to remodel another 40 to 45 stores this year.

In a recent stockholders meeting, Robinson said the chain's three-year program is paying off in aggressive remodelings, refined merchandising approaches and sharper controls of third-party pharmacy billings. He also noted that central buying of more than 70 percent of merchandise is helping to raise gross margins.

Pharmacy continues to grow at Perry, now accounting for 34 percent of sales. Stores average 160 scripts a day, with new prescriptions accounting for 62 percent of that.

When the generic drug controvery raged last fall, Perry assumed a leadership role by taking full-page ads in its biggest markets to try to calm public fears about the safety and quality of generic medications it sold. The ads advised customers "to make your pharmacist the first person you talk to" when discussing the quality of their prescription drugs. The ads, signed by Robinson, also advised patients not to change their medication.

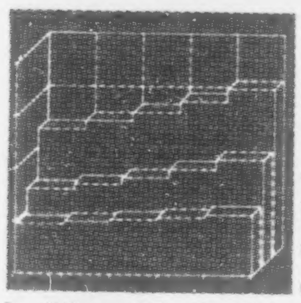
CHECK OUT
SERVICE
PHOTO EXPERTS

Perry's "Store of the '90s" prototype, in nearly 100 stores now, emphasizes service and core drug store categories such as photo.

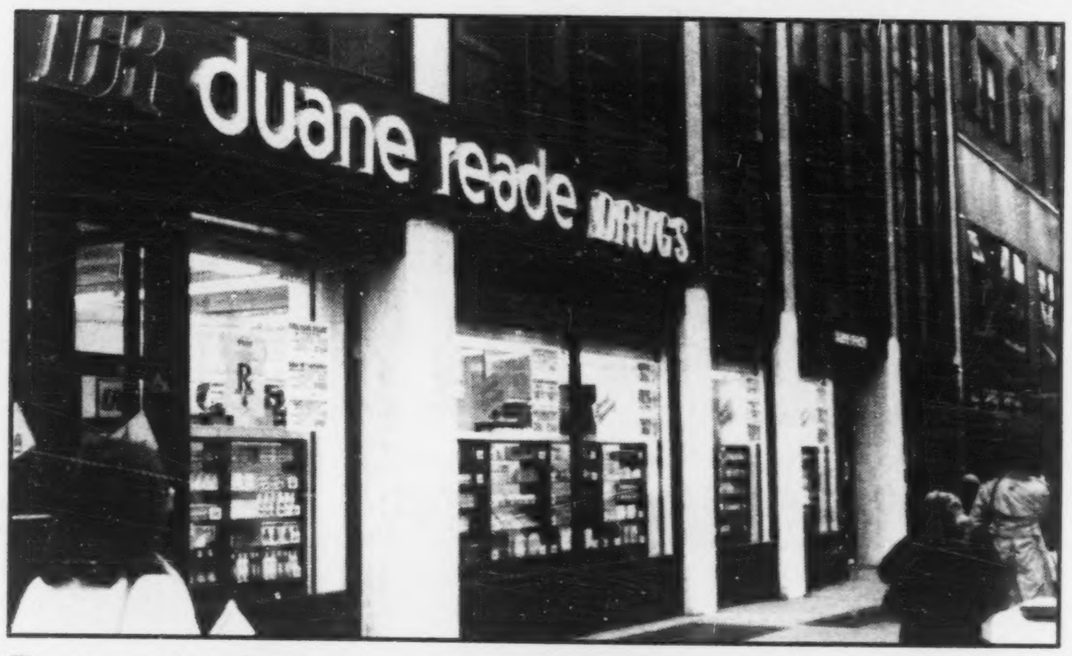
Perry at a glance

Name: **Perry Drug Stores**
Headquarters: **Pontiac, Mich.**
Officers: **Jack Robinson, chairman; David Schwartz, president**
Sales: **$669.6 million**
Store count: **215**
Average store size: **12,000 square feet**
Markets: **Michigan, Illinois, Wisconsin**
Highlights: **Focusing on Michigan and Illinois markets; posted first annual earnings in three years; has retrofitted nearly half the chain with "Store of the '90s" prototype.**

Duane Reade, champ of Manhattan, pressing ahead



NEW YORK — Duane Reade, operator of the most productive drug stores in New York City, is planning to open its second non-Manhattan store later this year in the Bronx.



By targeting business centers and densely-populated neighborhoods, Duane Reade draws extraordinary traffic.

Like its predecessor, a Brooklyn store opened two years ago on Fulton St., the Bronx store is a reaction to a "site location" opportunity and not part of a program to simply expand the Duane Reade concept into new neighborhoods.

Duane Reade sets specific performance criteria for sites: they must generate $6 million to $7 million annual sales.

For example, the Brooklyn store is on a busy street closed to automobile traffic and turned into a mall. Foot traffic is "enormous, and the store has done exceptionally well," a company source said.

Opening by summer

The Bronx store, which will open by the summer, is on Fordham Rd., a section that resembles Chicago's Miracle Mile, except that destination stores here are mostly discounters. Among them: Alexander's and Rockbottom.

Duane Reade has always used traffic to offset the high costs of doing business in New York. Today, its 34 stores, all with selling space of 5,000 to 6,000 square feet, each generate over $6 million a year in per-store sales.

Management is still expanding the chain in its hometown Manhattan market, where it opened three stores in 1989 and will open another two in 1990.

Low-price, expanded mix

Consumers have long ago learned to favor Duane Reade's everyday low-price, cut-throat discount image. The chain's mix remains predominantly H&BAs, though in recent years it has expanded heavily into foods and beverages, which reinforce its convenience image.

Consumables growth has been in the 20-percent range annually; management feels that on an individual item basis, the chain is moving more bottled waters and snacks then any H&BA item. Foods and beverages now account for over 10 percent of total company sales, one source estimated.

Bath and personal care are other growth categories at Duane Reade.

About 25 Duane Reade stores also have cosmetics sales clerks who oversee the department, help customers, and staff separate registers so customers can get in and out of the store fast with purchases.

Duane Reade at a glance

Name: **Duane Reade**
Headquarters: **Long Island City, New York**
Officers: **Eli Cohen, president; Abraham D. Cohen, chairman**
Sales: **$236 million, estimated**
Store count: **34 as of March 1, 1990**
Average store size: **5,000 square feet**
Market: **Manhattan and Brooklyn, N.Y.**
Distribution: **85 percent of mix through 155,000-square-feet distribution center**
Highlights: **In 1989, Duane Reade opened three Manhattan stores, expanded convenience foods, bath and personal care, and plans to open first Bronx store.**

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For extra copies of DrSN's special *Walgreens: Chain Drug Retailer of the Decade* issue (March 26, 1990), use order form at right. Please include $25 in check or money order payable to Drug Store News for each copy ordered.

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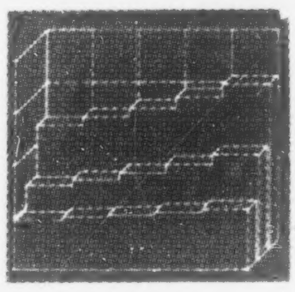
Send requests to Bruce Buckley, Editor, Drug Store News, 425 Park Ave., New York, N.Y. 10022.

Annual Report Part I: **Medicine Shoppe**

Medicine Shoppe retail sales thriving; Rx specialization drives performance



ST. LOUIS — Medicine Shoppe International is jumping into the '90s on a 10-year streak of 25 percent annual compound earnings growth. Retail sales topped $450 million in 1989, on same-store sales gains that nearly double the industrywide rate.

The chain of 821 independent pharmacy franchises thrives on the best of both worlds. "As a chain, we receive programs and systems needed to compete, yet all our stores are independently owned," said Jeff Atkinson, vp, strategic planning.

Specialization is key

The company's uniqueness lies in its specialization. The average store generates more than 90 percent of volume from prescriptions, in a format of approximately 1,200 square feet. That is 15 percent the size of the typical chain and one-third that of most independents. Yet, MSI stores average $529 sales per square foot, nearly double the rate of some chains and independents. The company also targets the 45-plus age group, which represents over 60 percent of its business.

MSI spent 1989 stepping up the pace of independent conversions into its system. Twenty converted stores opened in 1989, more than double any prior year. This growth is expected to continue, as traditional independents seek greater clout.

Focus on prescriptions

MSI's focus is on prescriptions, but it has lately been paying greater attention to its front-end. "We're intent on creating 'care departments,' with specialized departments for patients with diseases like arthritis and diabetes," Atkinson said. This also helps build the consultation function for the store's pharmacist.

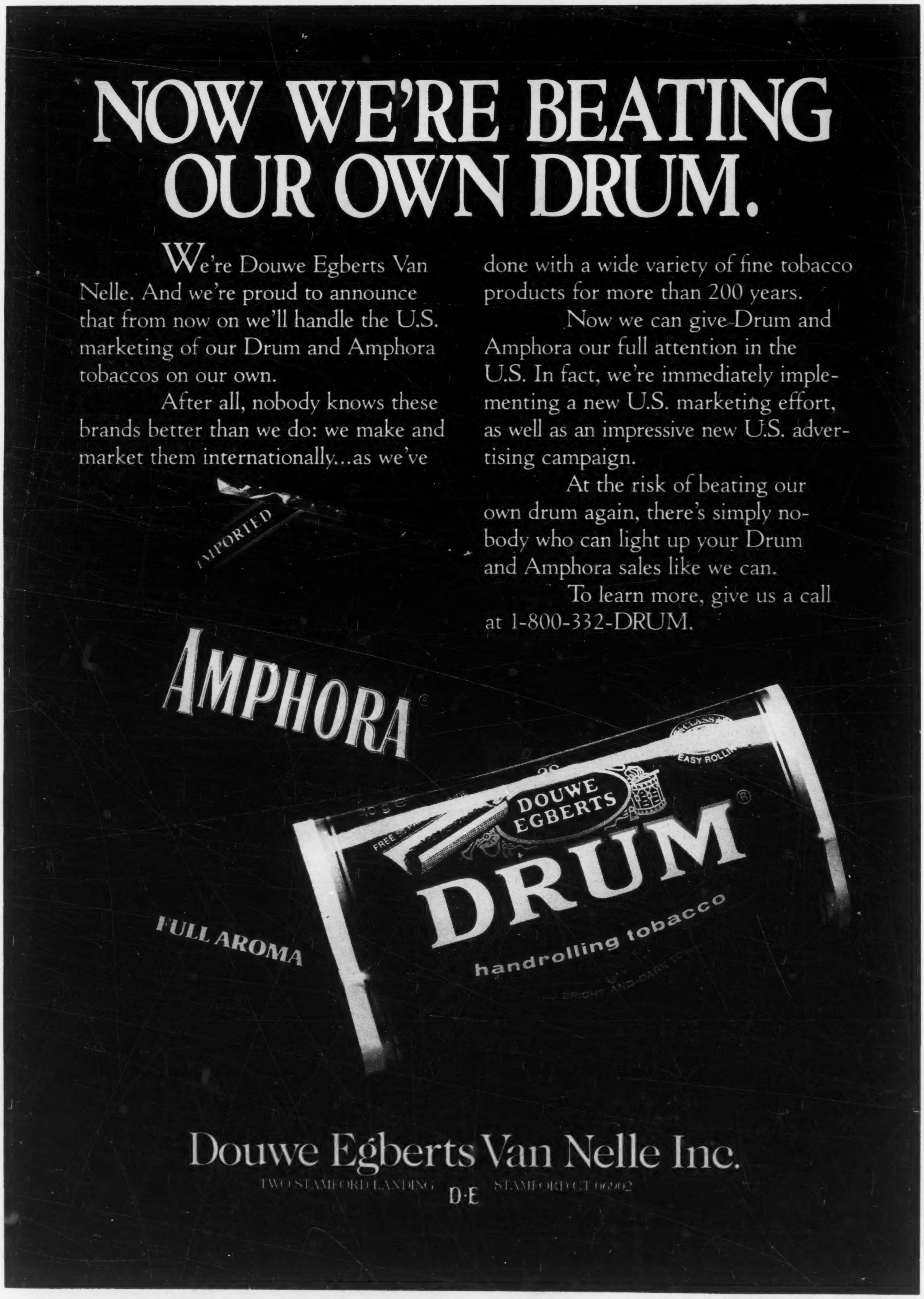
Promotions and sales share of high-margin private label are also on the rise at MSI.

Since much of the company's business is in third-party, MSI recently created its owned subsidiary, Medicine Shoppe InterNet, a managed care network. "This network allows our stores to speak as one voice when negotiating contracts with third-party payers—unlike independents, who often get locked out of these contracts," said Gary Levine, vp-managed health care.

President Jerome F. Sheldon believes the network is also an advantage for third-party payers. "We are able to quickly review and evaluate potential third-party contracts to assure a reasonable level of profitability," he said in a prepared statement. "Furthermore, we are developing additional specialized pharmacy programs that are likely to substantially enhance the added value we can provide to third-party sponsors who truly seek cost containment."

Medicine Shoppe at a glance

Name: **Medicine Shoppe International, Inc.**
Headquarters: **St. Louis**
Officers: **Jerome F. Sheldon, president and ceo**
Sales: **$453.8 million**
Store count: **821**
Average store size: **1,200 square feet**
Market: **Franchises in 48 states**
Highlights: **Retail sales exceeded $450 million; same store sales increased nearly double chain drug store rate; 10 consecutive years of 25 percent compound growth rate.**



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FINANCIAL

Revco's third qtr. shows store sales on upswing

TWINSBURG, Ohio — With 16 fewer stores on line and its Insta-Care Pharmacy Services subsidiary sold, Revco D.S. nonetheless posted a 7.3-percent increase in sales for its third quarter ended Feb. 10, to $713.2 million, the company reported.

A one-time non-cash charge to pre-tax earnings of $233.0 million, to accrue for costs associated with the chain's recently announced divestiture program, caused Revco to post a net loss for the quarter of $192.6 million, compared to the $6.0-million loss listed for the previous year's quarter. Excluding the effects of the one-time charge, operating profit before depreciation and amortization rose 5.4 percent, to $26.2 million for the quarter.

"Looking beyond the one-time charge. . . Revco's operating results continue to show evidence of our turnaround," said Gregory K. Raven, executive vp and cfo. "Each quarter of this fiscal year has shown sales and operating profit steadily improving. Comparable store sales have increased nearly ten percent for the nine-month period over last year."

Added Boake Sells, chairman and ceo, "Our prescription volume, average transaction per customer and average sales per store are all up. We had an excellent Christmas selling season. Clearly, customers are telling us they like our service, our products, and our stores."

The chain announced in January it was putting 712 of its stores, primarily in Midwestern, Southwestern and Southern markets, on the selling block as it attempts to build market share and shore up its competitive position in its home Middle Atlantic and Southeastern regions. Sells said the stores have drawn substantial interest, but no concrete deals could be reported as yet.

Record sales year at Big B; earnings decline

BIRMINGHAM, Ala. — Acquisition activity at Big B, Inc. has left its mark on performance figures for the year ended Feb. 3rd. Sales climbed 54 percent to $417.7 million, while financing and other acquisition-related expenses caused earnings to decline to $3.7 million, from $7.2 million the previous year.

The Southeastern retailer had bought 85-store Reed Drug during the course of the year.

Fourth-quarter figures saw earnings fall from $2.3 million to $820,000, on sales of $132.7 million, a 60-percent increase.

Big B's board of directors has declared a 4-cent per share dividend payable this April 20th for stockholders of record April 6th.

Hikes in sales, net in Bergen's 2nd quarter

ORANGE, Calif. — Bergen Brunswig Corp. noted a 12-percent increase in sales, to $1.09 billion, and record earnings of $15.4 million, a 34-percent increase, for the second quarter ended Feb. 28.

For six months, sales increased 12 percent to $2.18 billion, with earnings up 29 percent, to $30.3 million.

Emil P. Martini Jr., chairman and ceo, cited strong sales and earnings growth from the Bergen Brunswig Drug Co. division as contributing to corporate performance, noting that sales and earnings from Commtron, the corporation's 80-percent-owned video distribution arm, were lower than for the previous year's period.

American Stores' board soups up dividend

SALT LAKE CITY — American Stores' board of directors boosted the quarterly cash dividend payable this April 13 12 percent, to 28 cents a share, for stockholders of record April 3.

Wal-Mart Stores notes record results for year

BENTONVILLE, Ark. — Wal-Mart Stores, Inc. reported record results for both the fourth quarter and year ended Jan. 31.

For the year, net income was up 29 percent to $1.076 billion on $25.811 billion in sales, a 25-percent increase. Per-share net income increased from $1.48 to $1.90; return on equity increased from 36 percent to 37 percent.

For the fourth quarter, net income climbed 32 percent to $425.9 million on sales of $8.107 billion.

At year's end, the company operated 1,402 Wal-Mart stores, 123 Sam's Wholesale clubs and three Hypermart*USA units.

Compiled by Paul W. Cockerham

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Vol. 12, No. 7 Apr. 9, 1990

MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 5.25
Largest Dollar Loser	Fred Meyer	$ – 2.75
Largest Percentage Gainer	Bolar Pharmaceutical	10.17%
Largest Percentage Loser	Fred Meyer	– 16.42%

Advances	30
Declines	18
Unchanged	7
New highs	3
New lows	5

	Close 3/13/90	Close 3/27/90	Net Change	Percent Change
Drug Store News Index				
Dow Jones Industrial Average	2674.55	2736.94	62.39	2.33
Standard & Poor's 500-Stock Index	336.00	341.50	5.50	1.64
N.Y.S.E. Composite	185.25	187.40	2.15	1.16
Value Line Index	244.30	245.08	0.78	0.32

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 3/13/90	Closing Price 3/27/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	16.50	17.75	1.25	7.58	16	0.16	0.90	24.75	12.13
OTC	Big B	BIGB	11.38	11.13	– 0.25	– 2.20	22	0.16	1.44	15.25	10.63
OTC	Drug Emporium	DEMP	7.50	7.50	0.00	0.00	11	0.20	2.67	16.38	6.88
NYS	Fay's Inc. (L)	FAY	8.13	8.13	0.00	0.00	12	0.20	2.46	15.00	7.75
ASE	Genovese Drug	GDX.A	8.25	8.25	0.00	0.00	20	0.24	2.91	12.88	8.13
OTC	Leroy Pharmacies	LERY	5.25	5.13	– 0.13	– 2.38	– 13	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	39.63	42.50	2.88	7.26	14	0.96	2.26	48.50	34.50
OTC	Medicine Shoppe	MSII	21.25	21.25	0.00	0.00	22	0.16	0.75	23.25	17.25
NYS	Perry Drug	PDS	8.75	8.63	– 0.13	– 1.43	15	0.00	0.00	12.88	7.38
NYS	Rite Aid Corp.	RAD	32.63	31.13	– 1.50	– 4.60	15	0.88	2.83	41.13	29.50
NYS	Walgreen Co.	WAG	42.38	42.63	0.25	0.59	17	0.80	1.88	50.25	35.25
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	25.00	24.75	– 0.25	– 1.00	14	0.32	1.29	27.25	20.50
OTC	Bindley Western Ind.	BIND	9.88	9.75	– 0.13	– 1.27	19	0.00	0.00	10.75	7.50
OTC	Cardinal Distribution	CDIC	20.75	22.00	1.25	6.02	17	0.08	0.36	25.00	15.25
OTC	Durr-Fillauer	DUFM	21.88	23.00	1.13	5.14	15	0.24	1.04	24.38	18.50
ASE	Ketchum	KCH	2.50	2.13	– 0.38	– 15.00	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	36.50	37.88	1.38	3.77	16	1.44	3.80	39.75	30.13
ASE	Moore Medical (L)	MMD	6.88	6.63	– 0.25	– 3.64	– 8	0.00	0.00	15.13	6.25
NYS	Owens & Minor	OMI	11.38	11.38	0.00	0.00	38	0.24	2.11	14.00	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	63.50	64.88	1.38	2.17	17	1.68	2.59	70.38	53.25
NYS	American Home Products	AHP	101.25	100.75	– 0.50	– 0.49	14	4.28	4.25	110.25	85.75
NYS	Baxter International	BAX	24.13	24.38	0.25	1.04	16	0.64	2.63	26.25	18.63
OTC	Block Drugs Co.	BLOCA	34.38	33.50	– 0.88	– 2.55	13	0.68	2.03	38.00	31.13
ASE	Bolar Pharmaceutical	BLR	7.38	8.13	0.75	10.17	5	0.16	1.97	32.25	3.50
NYS	Bristol-Myers Squibb	BMY	52.25	53.50	1.25	2.39	38	2.12	3.96	58.25	46.13
NYS	Carter-Wallace	CAR	52.38	50.38	– 2.00	– 3.82	15	0.80	1.59	60.50	40.00
ASE	Columbia Labs	COB	14.00	13.13	– 0.88	– 6.25	– 23	0.00	0.00	19.63	4.38
ASE	Forest Labs	FRX	38.00	39.63	1.63	4.28	29	0.00	0.00	44.50	28.63
NYS	ICN Pharmaceutical	ICN	4.00	3.63	– 0.38	– 9.38	– 1	0.00	0.00	6.88	3.50
ASE	Lee Pharmaceutical	LPH	1.88	1.88	0.00	0.00	– 9	0.00	0.00	4.75	1.75
ASE	Leiner P. Nutrition	PLI	10.00	10.50	0.50	5.00	17	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	61.88	64.88	3.00	4.85	20	1.64	2.53	69.25	50.50
NYS	Marion Labs (L)	MKC	22.50	21.88	– 0.63	– 2.78	91	0.60	2.74	36.63	21.00
NYS	Merck Co.	MRK	67.13	71.38	4.25	6.33	19	1.80	2.52	80.75	64.63
NYS	Mylan Labs	MYL	21.50	20.00	– 1.50	– 6.98	36	0.20	1.00	25.38	8.13
NYS	Par Pharmaceutical	PRX	7.25	6.63	– 0.63	– 8.62	331	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	59.25	60.13	0.88	1.48	15	2.40	3.99	75.75	54.50
NYS	Rorer Group (H)	ROR	65.38	67.88	2.50	3.82	25	0.84	1.24	68.13	36.13
NYS	Schering Plough	SGP	77.00	80.25	3.25	4.22	19	1.80	2.24	87.50	63.38
NYS	Syntex Corp.	SYN	49.50	50.63	1.13	2.27	19	1.48	2.92	54.50	40.00
OTC	Taro-Vit Industries (L)	TAROF	1.00	0.88	– 0.13	– 12.50	29	0.00	0.00	1.88	0.88
NYS	Upjohn Co.	UPJ	35.50	38.88	3.38	9.51	41	1.00	2.57	42.13	28.25
NYS	Warner-Lambert	WLA	101.38	105.00	3.63	3.58	17	3.04	2.90	118.75	84.00
OTC	Zenith Labs	ZENL	5.25	5.25	0.00	0.00	—	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	55.13	55.50	0.38	0.68	19	0.96	1.73	60.25	40.75
NYS	American Stores	ASC	56.00	61.25	5.25	9.38	18	1.12	1.83	72.50	51.38
NYS	Giant Food	GFS.A	26.38	27.00	0.63	2.37	15	0.48	1.78	36.25	23.38
NYS	Great Atlantic&Pacific Tea	GAP	50.88	53.00	2.13	4.18	—	0.00	0.00	65.38	48.25
NYS	K mart	KM	33.75	34.75	1.00	2.96	22	1.64	4.72	44.88	32.13
NYS	Kroger	KR	12.88	13.13	0.25	1.94	– 57	0.00	0.00	19.75	10.38
NYS	Melville Corp.	MES	48.00	48.38	0.38	0.78	13	1.40	2.89	53.63	39.50
OTC	Fred Meyer (L)	MEYR	16.75	14.00	– 2.75	– 16.42	9	0.00	0.00	23.00	13.00
NYS	Penney, JC	JCP	68.00	68.75	0.75	1.10	11	2.24	3.26	75.63	52.13
NYS	Smith's Food & Drug (H)	SFD	25.50	27.38	1.88	7.35	23	0.28	1.02	27.38	20.50
NYS	Wal-Mart (H)	WMT	45.88	47.25	1.38	3.00	25	0.28	0.59	47.50	32.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

DRUG STORE NEWS®
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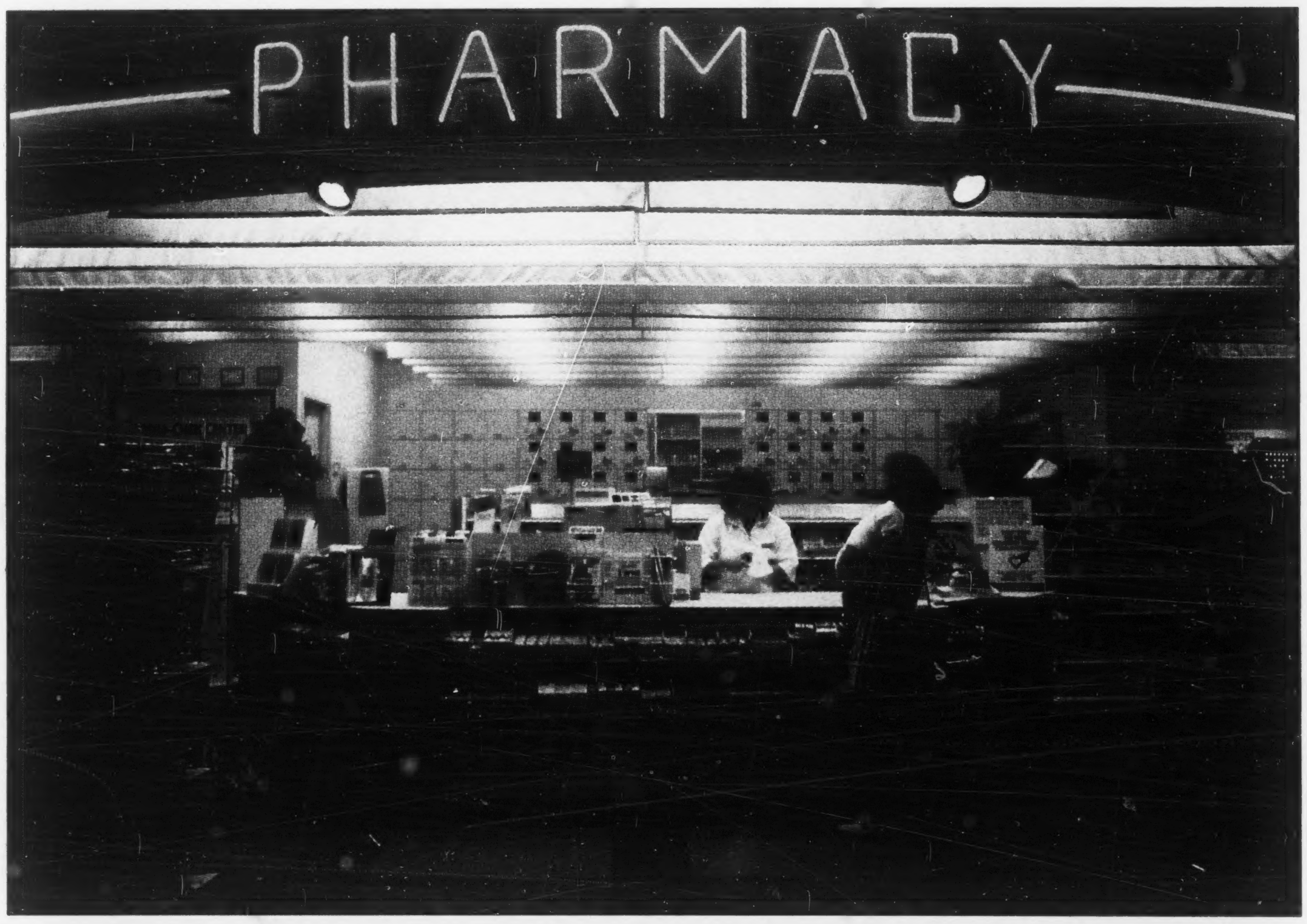
DrSN/IP Annual Report of Retail Pharmacy

Prescription dept. still profitable despite third-party headlock



Ask any retail pharmacist what the three biggest problems he faced in 1989 were and he's likely to answer: *third party, third party, third party*.

Third-party programs continued to tighten their headlocks on retail pharmacy last year, as many drug stores saw reimbursement levels drop to an all-time low, pinning many a retailer's shoulders to the mat.

Yet despite severe third-party cost controls and the damage they've done to profit margins, the *Drug Store News/Inside Pharmacy* Annual Report of Retail Pharmacy shows that the prescription department still remains the strongest of all departments in drug stores.

Chain drug store prescription sales fared better than most traditional drug retail operations, ending the year with a nearly 14-percent rise in sales compared to a 9-percent rise for all drug stores.

Some of this increase is attributed to higher average wholesale costs of prescription drug products, which were reflected in a nearly 9 percent rise in the average retail prescription price, calculated to be $15.37.

But rising product costs wasn't the only factor responsible for the increase. Predictions of a 60-percent to 75-percent third-party prescription market in 10 years pushed many retailers into taking a closer look at the efficiency of their prescription departments, especially in those stores already handling a formidable amount of third-party prescriptions.

> *Chain drug store prescription sales fared better than most traditional drug retail operations, ending the year with a nearly 14% rise in sales, compared to a 9% rise for all drug stores.*

Continued on page IP17

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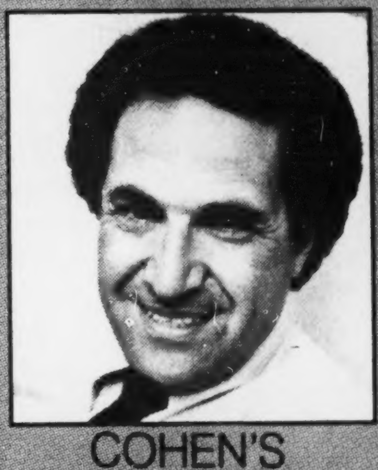
Vol. 5, No. 5 April 30, 1990

For pharmacy, the sky's the limit



COHEN'S CAPSULES

HAROLD COHEN

The other day, as I was leaving on a business trip, I sat in my airplane seat wondering what I would write for this column. As we taxied out to the runway I looked outside the window. It was a dismal and stormy day, overcast, with periods of rain. As we took our position on the runway, I settled back in my seat and waited for the 727 to gain thrust and finally take off. I knew that this column should in some way reflect the state of pharmacy over the past year since this *is* our annual report issue. At that moment though, my thoughts on that subject were almost as gloomy as the weather outside my airplane window. Our airplane started to roll and pick up speed as we headed down the runway.

Finally the wheels left the ground and we were airborne, heading right into the gloomy and foreboding sky. As expected, the ride through the clouds was turbulent. The plane was being buffeted by forces over which the pilot had very little control. His job was to keep the plane on course and navigate through the stormy weather. Just when it felt like the plane would have its wings ripped off, we broke out of the clouds into blue skies and smoother air. As we continued our climb, we left the violent weather far below us. Any pilot or flying enthusiast such as myself knows the exhilarating feeling of breaking through the clouds into bright sunny weather and clear blue skies. Then it hit me. At that very moment, I knew what I would write for this column. For you see, my plane had just taken nearly the same kind of "ride" pharmacy has over the past year.

When we hit blue skies the stress of the ride up to that point left my body and I knew that from here on in, the trip would be fine. While retail pharmacy may not see clear, blue sky just yet, I think it is just about to "break out of the clouds." At the very least, like the pilot of my airplane, many have navigated well against those forces over which they once thought they had no control.

Third-party storm

No one can argue that retail pharmacy has had to weather major storms over the past several years and the "climbs" through them have often been turbulent. One storm in particular, called third-party, has threatened to break pharmacy apart more than once. But pharmacists have come to realize that this storm will pass only to be replaced with yet another storm of equally momentous proportions. So many have set out to protect themselves against the devastation such storms can bring to their business.

Those that didn't were swept away by third-party's overpowering momentum as it passed through their businesses. Those who saw the storm coming and protected themselves are in better shape today to survive whatever stormy weather may still be heading their way.

Much of the fortification against third-party came from improved technology. Pharmacists who rode out the storm best upgraded their pharmacy computer systems to handle third-party claim forms more efficiently. They installed new hardware and software that enabled them to communicate quickly with third-party processors electronically. This eliminated costly claim rejections and improved cash flow.

They began incorporating third-party programs into the company's marketing strategies, welcoming them instead of turning their noses up.

They've joined political action committees in their marketing area to fight unjustified low reimbursement fees as a group. Many have been active in lobbying for "freedom of choice" bills so that everyone in the profession has an equal opportunity to participate as providers to third-party programs.

While handling third-party programs is something that pharmacists would rather not have to do, the realization is they are here to stay. Although there is talk about a national health care benefit, if the way the government handled the catastrophic health care bill is any indication of the direction it is heading toward a national health care plan, pharmacists better count on having private sector third-party programs around for a long time.

I think that improvements will continue to be made that will allow pharmacists to handle third-party, or anything else thrown into the path of their business, better and more profitably so that they can return to their primary job of dispensing and counseling patients on the medications they are taking. I think the outlook appears bright and sunny for pharmacy, and as far as the profession of pharmacy goes, the sky's the limit.

My Way of Thinking

To the Editor:

Let me take Mr. Stuart Tobin's letter in the Jan. 22 issue of *Inside Pharmacy* one step further.

In New York, when a physician marks the prescription DAW, the pharmacist must dispense the brand indicated or else he is in violation.

However, when a Medicaid prescription is received, the physician must also write "Brand Medically Necessary" in his own hand. If not, Medicaid will pay only for the generic even though the physician does not want it. If we dispense the generic in this case, we are in violation of the state law.

So what do we do in this case? We must send the patient back to the physician to amend the prescription, losing time in filling the prescription.

What is the message here? It says do not violate state law and we will reward you with a lower cost price, or violate the law and get the proper price and also look forward to a fine by the board of pharmacy.

Does this make sense? It certainly makes none to me, nor to the patient who is turned away because the physician did not add the three magic words. This is the state of pharmacy in the state of New York!

Warren Askenas, Brooks Drugs, Lawrence, N.Y.

"My Way of Thinking" is intended to give responsible members of the health care community a professional forum to air their views on crucial issues confronting pharmacy today. Presentations should be no longer than 500 words and may be edited for space requirements. Interested participants should mail their presentations to Harold Cohen, Editor, Inside Pharmacy, 425 Park Ave., New York, N.Y., 10022. Articles will be chosen and published at the editor's discretion.

Cover photo: Thrift store in Glenshaw, Pa. Copyright 1990 Scott Goldsmith/Black Star.

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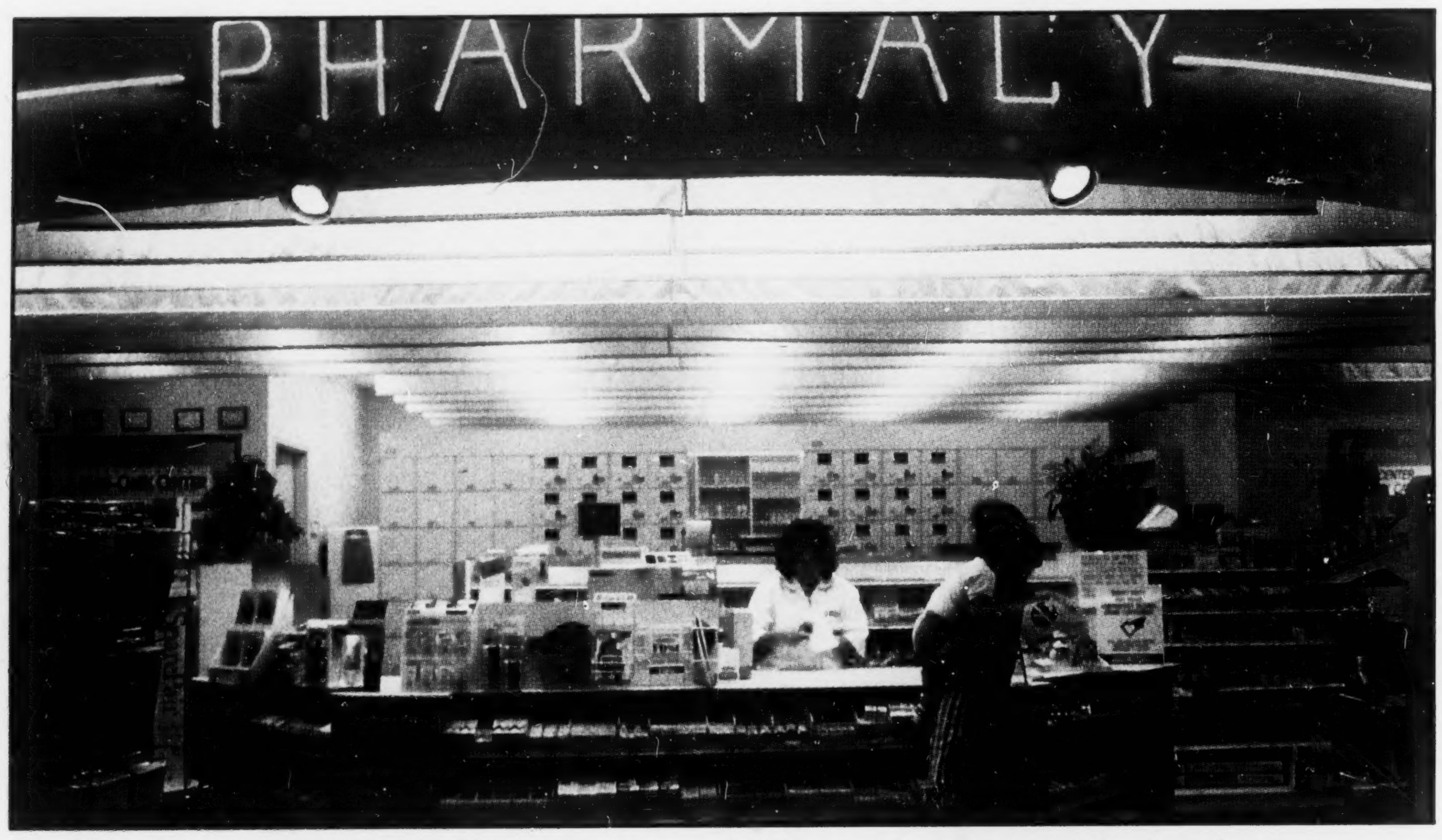

Chain drug store prescription sales ended the year with a nearly 14-percent rise in sales.

Despite third-party woes, Rx strong

Continued from page IP1

Many chains saw a quick return on investment when they made capital improvements to their pharmacy computer systems.

Some installed faster machines with work stations to handle the additional information needed to fill third-party prescriptions. Others installed "black boxes" and computer software, enabling the store to transmit third-party claims electronically for online adjudication, thereby eliminating costly resubmissions. The problem of negative cash flow usually associated with third-party prescription programs was all but eliminated in these stores. The savings dropped to their bottom line.

But many facets of doing business in the third-party arena still plague some retailers. Exclusive third-party contracts that favor larger and financially stronger drug stores continue to enrage smaller chains and independents who cannot cut deals that return very low reimbursement levels.

The widespread anger that exclusive contracting creates touched off cries for "freedom of choice" legislation nationwide. Such legislation is structured so that no drug retailer desiring to participate in a third-party contract would be locked out. Illinois has already passed such a law and other states have similar bills up for review.

More fuel for fire

Adding more fuel to an already freely burning third-party fire is the intense competition for the third-party customer. In highly industrialized states like Michigan and Illinois, where third-party accounts for 70 percent or greater of the prescription business in some markets, it is not unusual to see customers' copayments discounted or waived, while the supply and demand of the drugs stores that are ready to fill these prescriptions have cut reimbursements drastically.

Another pressing issue for pharmacists is that of discriminatory pricing. Several months ago, Senator David Pryor (D-Ark.), chairman of the Senate Special Committee on Aging, held a hearing on discriminatory pricing by the pharmaceutical industry.

In his presentation, Pryor singled out 10 brand name drugs for which hospitals pay from 4 percent to 99 percent less than the prices charged to retail drug stores.

Prescription sales, all drug stores

	1988	1989	% change
Consumer sales ($ millions)	$25,213	$27,482	+ 9.0%
Scripts (millions)	1,587	1,603	+ 1.0
Average Rx price	$ 15.88	$ 17.14	+ 8.0
Scripts/store/year	29,296	29,446	+ 0.5
Stores	54,172	54,439	+ 0.5

Source: *Drug Store News* survey

*Prescription sales in chain drug stores**

	1988	1989	% change
Consumer sales ($ millions)	$10,717	$12,189	+ 13.7%
Scripts (millions)	755	793	+ 5.0
Average Rx price	$ 14.14	$ 15.37	+ 8.7
Scripts/store/year	38,018	38,821	+ 2.1
Stores	19,859	20,427	+ 2.9

*Chains with four or more stores
Source: *Drug Store News* survey

Top 10 Rx products U.S. prescription sales
(at acquisition cost)

1. Zantac (Glaxo)
2. Cardizem (Marion)
3. Tagamet (SKF)
4. Vasotec (MSD)
5. Ceclor (Lilly)
6. Mevacor (MSD)
7. Naprosyn (Syntex)
8. Capoten (Squibb)
9. Tenormin (ICI)
10. Procardia (Pfizer)

Source: Pharmaceutical Data Services

Top 10 companies U.S. retail prescription sales

1. Merck Sharp & Dohme
2. American Home Products*
3. Bristol-Myers Squibb
4. Glaxo
5. Lilly
6. Marion Merrell Dow
7. Smith Kline Beecham
8. CIBA-Geigy
9. Johnson & Johnson
10. Pfizer

*includes A.H. Robins

Source: Pharmaceutical Data Services

Generics scandal rocks the industry

As though third-party and discriminatory pricing problems weren't enough for retail pharmacists to deal with last year, the industry was stunned by a scandal of immense proportions when it was discovered that some FDA officials had been accepting gratuities from several generic pharmaceutical companies in return for quick drug approvals. *(See the generic drug investigation review on page IP19.)*

Hardest hit during the kickback scandal were Bolar Pharmaceuticals, Par Pharmaceuticals, American Therapeutics, and Vitarine Pharmaceuticals. While the scandal began to unfold publicly last summer, the background investigation actually started some two years before, when Mylan Laboratories hired a private detective to help explain why smaller companies were consistently beating Mylan to market with similar generic drug approvals.

It wasn't until two years later that the scandal broke wide open when Vitarine admitted that it submitted SKF's Dyazide for approval instead of its generic equivalent. Last July, an FDA official pleaded guilty to illegal payoffs from American Therapeutics. Other accusations followed, forcing several generic companies, even those remotely implicated, to remove product from retailers' shelves.

The scandal left an already stressed industry shell shocked. FDA approvals came to a grinding halt and retail pharmacists were forced into a position of defending their use of generics. Although it's been nearly a year since the scandal surfaced, FDA approvals still only trickle out of the much-criticized government agency, causing anxieties among many "honest" generic and PMA companies that have a plethora of drug approvals waiting to be acted upon.

The generic industry has taken matters somewhat into its own hands. According to the Generic Pharmaceutical Industry Association (GPIA), a special Blue Ribbon Committee on Generic Medicines will examine the generic drug industry and the drug approval process at the FDA. This committee consists of an independent group of individuals with scientific, pharmaceutical, regulatory, and legal expertise.

The committee will develop and make public its recommendations for whatever changes may be necessary to reassure the American people that generic drugs are properly tested and evaluated and are safe and effective.

In reality, the burden of

Continued on page IP19

Direct-to-consumer ads are on upswing

While retail pharmacists continue to struggle with problems affecting their businesses, some pharmaceutical manufacturers are trying to increase sales by stepping up marketing efforts.

One such campaign includes manufacturers advertising prescription products directly to the consumer. The idea is to get consumers more involved in the selection process of the prescription drugs they are taking, hoping this will translate to more sales for these products at drug store prescription counters.

Although the pharmaceutical industry as a whole has approached the idea of advertising prescription products directly to the consumer cautiously, several companies have been aggressive with this kind of advertising, and with some success.

One of the first companies to venture into the direct-to-consumer (DTC) advertising of prescription drugs was Marion Merrell Dow Consumer Products (formerly Lakeside Pharmaceutical). While its non-sedating antihistamine, Seldane, was never mentioned by name in the ads, the commercials suggested consumers ask their physician for the non-sedating antihistamine manufactured by the company. The company later featured Nicorette, a product to help people stop smoking, consumer ads targeted directly to smokers.

Over the past year there have been other pharmaceutical companies advertising their products as well. These include Upjohn, advertising Rogaine, and Lexis Pharmaceuticals, advertising its brand of oral contraceptive, N.E.E. 1/35.

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OTCs mainstay of traditional core mix

Key players in mix benefit from more promotions, repositioning

For generations, the American drug store built its reputation primarily on two areas of the store, the prescription department and the over-the-counter (OTC), or proprietary, drug department.

Although the sale of OTC products in recent years has spread to non-traditional drug stores such as supermarkets, discount and convenience stores, OTCs still remain a core department for traditional retail drug stores, one they hope will help maintain their identity as key players in the health care network.

Despite the new competition, drug retailers and manufacturers of OTC products remain optimistic about the traditional drug store's role in selling OTC products. Both are hoping to cash in on the $18 billion to $23 billion in sales the category is expected to generate by the end of the next five years.

To help accomplish that goal, retailers and manufacturers are teaming up to promote more OTC products by boosting ad budgets and making available more co-op advertising monies. The chains are positioning the more powerful OTC medications closer to the pharmacy so that the store's pharmacist can act as an OTC consultant. The stores are also paying closer attention to those OTC product categories that contribute most to the overall growth of the OTC department.

The retail marketplace has seen very little in the way of Rx-to-OTC-switched products over the past year. Still on everyone's number one "hit list" to make the switch is Marion Merrell Dow's Seldane, the best-selling prescription antihistamine on the market today. Many believe that the recent generic scandal has the FDA overcautious about new drug approvals, including Rx-to-OTC-switched products.

While OTCs as a whole did very well last year, certain categories continue to shine with better than 10-percent increases in sales. These include cough/cold, analgesics, dental care, eye and lens care, and family planning.

Cough and cold

One OTC category that continues to do well, despite the introduction of few truly innovative products, is that of cough and cold. Last year the average drug store realized a 13-percent increase in sales of cough and cold products. While this category is called "cough and cold," it encompasses allergy medications as well. Some of its success is attributed to customers buying antihistamine allergy preparations to treat their colds, and allergy sufferers buying non-antihistamine cough and cold products to treat their allergies. *(See further coverage on IP27.)*

Analgesics

While many areas of the OTC department may be considered seasonal, one area, analagesics, is a year-'round winner. Sparking the analgesic category to record sales growth over the past several years, with growth of 12.5 percent in drug stores last year, was the introduction of several OTC ibuprofen products.

> *While the OTC category as a whole did very well last year, certain categories continue to shine with better than 10-percent increases in sales. These include cough/cold, analgesics, dental care, eye and lens care, and family planning.*

A well-known name among arthritic sufferers who take prescription-strength products for their condition, ibuprofen's introduction as an OTC product was an instant success.

Today there are several OTC ibuprofen products (each containing half the minimum strength of its Rx counterpart) vying for retailers' shelf space. Many companies manufacturing OTC ibuprofen products have been successful by marketing their products to various segments of the therapeutic marketplace. For example, some advertise their product for menstrual cramps, others for backache and still others compare their product to other analgesics, such as aspirin and Tylenol, for general pain conditions.

Although aspirin continues to sell well, it received an extra boost in sales when an article in a medical journal claimed its daily use may be a factor in reducing heart attacks. Many research papers have been published since the initial article. Each time a new study is published, aspirin sales increase. *(See further coverage on IP32.)*

Dental care

Over the past several years, the dental category has seen some innovative formulations and product changes. One of the biggest booms to the category was the launch of anti-plaque and anti-tartar formulations in the form of toothpastes and rinses. Also boosting category sales was the introduction of pumps, which many consumers find easier to use with less mess than tubes.

Eye and lens care

For many retailers, the eye and lens care category is one of the most profitable OTC categories. The category saw nearly 13-percent growth in sales in 1989, and industry observers expect the figure to grow even higher during the year to come.

Sales of eye and lens care products continue to be primarily driven by eye-care professionals. This is especially true for new lens wearers, who are concerned with what kind of solutions are best for their contact lenses and eyes.

Many physicians offer "starter kits" with the sale of a pair of contact lenses. These starter kits are usually provided free from various manufacturers of eye and lens care products. Obviously, their hope is that once a patient is started on a particular product, he or she will continue purchasing those products long after the starter supply runs out. In most cases, retailers claim that this is true.

Since the category is very heavily driven by eye care professionals' recommendations and specificity of brand, manufacturers and retailers feel they can charge consumers a slightly higher retail price compared to some other, more competitive OTC categories, making the category one of the most profitable in the store.

The exception is saline solutions, probably the most used of any of the contact lens solutions. Many chains now offer private-label formulations at a much lower retail price than branded counterparts. Manufacturers of branded salines have lowered their prices to compete in this lucrative market.

1989 OTC productivity in chain drug stores

	'89 sales (add 000)	'89 % increase	% of category
Cough/cold (total) (tabs/caps/lozenges) (liquids)	$ 999,397 609,024 390,373	13.3% 13.7 12.5	14.2% 12.3 7.9
Analgesics	733,996	15.3	14.8
Dental care	600,641	10.8	12.1
Vitamins/nutritionals	558,741	7.8	11.3
Baby needs	463,802	9.4	9.4
Laxatives	327,832	7.8	6.6
Antacids	311,518	8.3	6.3
Eye care/lens care	311,137	12.9	6.3
Family planning	310,110	16.4	6.3
First aid products	305,725	8.7	6.2
Feminine hygiene	287,671	7.6	5.8
Footcare products	212,403	10.7	4.3
Diet aids	136,981	10.7	2.8
Antidiarrheal/anti-nausea	88,109	7.8	1.8
Home health care	85,526	8.3	1.7
Acne preparations	84,403	7.7	1.7
Sleeping aids	35,788	9.7	0.7
Wets & dries	31,775	3.6	0.6
Asthma inhalers/tabs/liq	16,414	5.2	0.3
Miscellaneous	46,205	8.7	0.9
Total	$5,948,174		100.0%

Source: *Drug Store News* 1990 survey of drug chains

The other key point with contact lens solutions is the multiple sale. Every wearer of contact lenses will make several purchases to take care of their lenses. These include saline solution, lens cleaner, disinfectant solution, and an enzymatic cleaner. There are also many ancillary sales like lens cases, mirrors, and rewetting drops.

Some retailers have also realized additional sales of non-prescription sunglasses and reading glasses to this population who, before being fitted for contact lenses, wore only prescription sunglasses and reading glasses. *(See further coverage on IP28.)*

Family planning

It would be hard today to find any customer who has not been aware of the deadly AIDS epidemic that has gripped the country. Public announcement after public announcement has talked about safe sex and the use of condoms. It is no surprise that all this publicity has boosted condom sales over the past several years to all-time highs. In fact, sales of family planning products accounted for the single highest increase in drug stores, 16.4 percent.

While condoms have commanded much of the attention in this category, new and quicker pregnancy and ovulation test kits have contributed to higher category sales.

Sales of these kits are expected to increase. Many drug stores are quoting figures of anywhere from a 15 percent to a 25 percent increase in sales of these products over next year.

Many attribute the increase to more pregnancies and the convenience of not having to see a doctor for testing. Because many times the use of these test kits are not as clearly understood as other OTC products, many drug stores place them closer to the pharmacy so that the patient may interact with the pharmacist should she have a question.

CS150-2

DRUG STORE NEWS®
SECOND CLASS

Vol. 12/No. 8 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. April 30, 1990

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Annual Report Part II:

Chains build on core category strengths

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> *The most successful chains. . . exploit new merchandising opportunities. . . without eroding core aspects of their business.*

In a sense, the drug store industry has come full circle. After years of trying to be all things to all customers, many drug chains have abandoned elements of their variety-store approach and rediscovered the crucial importance of pharmacy and H&BAs to their business.

The most successful chains have been those with the flexibility to exploit new opportunities in general merchandise, convenience foods and other non-drug categories, without eroding the core aspects of their business. By now, most drug chains have their priorities in good order, and are putting their basic strengths ahead of other concerns. Those strengths haven't changed: a strong health- and beauty-care image, convenience, good selection of basic drug store merchandise and strong service levels at the forefront.

Determined to maintain their role as America's prescription drug specialists, drug chains continued to reap big gains at the pharmacy counter last year. Chain drug Rx sales climbed another 13.7 percent in 1989, spearheading an 11 percent rise to nearly $40 billion in total chain drug store sales.

Prescription sales now account for 30.6 percent of that total, continuing their resurgence as the core element of

Continued on page 65

NEWS IN BRIEF

Revco's Charlotte Expo draws crowds

CHARLOTTE, N.C. — Revco's first Health and Beauty Expo held outside its home market drew 67,000 visitors to Charlotte's Convention Center March 30 and 31, and led to "a clear increase in sales" in this key Revco market, according to Bob Newmark, director of advertising and marketing services.

Revco drew some 100,000 Cleveland-area consumers to a similar event last May, and is gearing up for another home-market expo next month.

"It clearly has an effect on sales, both near- and long-term," said Newmark. "Another clear benefit is the excitement it raises for both customers and Revco employees."

The free event in Charlotte featured health screenings, fitness workouts, product demonstrations and giveaways, and visits by sports and media celebrities.

Revco pharmacists also staffed an advice-only "pharmacy" at the expo for patient consultations.

The two-day event was given a major sendoff with a 48-page insert in *The Charlotte Observer* before opening day. The tabloid included co-op advertising from suppliers exhibiting at the expo, as well as feature stories about Revco and the event.

NACDS plans fall session for MIS issues

ALEXANDRIA, Va. — The National Association of Chain Drug Stores (NACDS) will sponsor three separate conferences this fall where members will discuss operations issues: MIS; human resources and loss prevention; and administration and operations.

The human resources and loss prevention meeting will be held Oct. 14-17 at a place to be announced. Officials plan to announce the other two meetings' times and places at the NACDS Marketplace in June, according to Jim Huber, NACDS' vp-finance and administration.

In the past, NACDS covered these topics in one meeting, but members felt that pulls too many key people away from their companies at one time. Also, the MIS execs have felt they can achieve more with their own meeting, said Huber.

Last year, only the session on human resources and loss prevention was held; there were no workshops in 1988, after members had voted in 1987 to hold the meetings every other year.

B&E gets some Shawnee-Evans assets

LIVONIA, Mich. — B&E Merchandising Corp., a distributor of advertising and retail promotional merchandise, has agreed to acquire certain assets of Shawnee-Evans, Alco Health Services' promotional merchandising division.

B&E will take over development and sales of Shawnee-Evans' circular advertising programs.

Bud Preston, B&E president, said the move "helps both [companies] by combining buying power and consolidating distribution networks."

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Showgoers give plaudits to Affiliated/Associated

By Bruce Buckley

CHICAGO — Joe Decker began working one end of Affiliated/Associated's booth show on Sunday, and his son Jim started at the other end. Their aim: to hit every one of the more than 180 booths set up in the Chicago Hilton's exhibition hall before the vendors packed up their wares the next day.

More than 24 hours later, the Deckers met somewhere in the middle, both a little footweary but also pleased with the product information they had rounded up for later evaluation back home.

Joe Decker is president of Richardson's Pharmacy, a chain of five stores serving the bustling university town of Ann Arbor, Mich. His son Jim is the buyer of a broad array of product categories. For them the spring and fall visits to the Affiliated/Associated shows are a key connection point to old friends and new ideas and products.

"We need this show," Joe Decker told *Drug Store News*. Decker was not the only retailer who expressed this sentiment during the three-and-a-half days at the end of March and beginning of April that the New York-based buying group was in town for its semi-annual merchandise show. Other chain executives, including Steve Ferguson of Douglas Drug, Jim Harrison III of Harco, Bill Baxley of Kerr and Bill Matteucci of Drug Fair Northwest, echoed that feeling.

Ferguson said that when he moved from K&B in New Orleans to Douglas Drug in

Continued on page 122

Like many chain attendees, Richardson's Pharmacy's Jim Decker (left), buyer, and his father Joe (right), president, scoured the busy exhibit floor at the recent Affiliated/Associated show in Chicago.

Calvin Hendricks, president of Bill's Drugs, dies in Calif. at 57

BENICIA, Calif. — Calvin Hendricks, 57, president and chief administrative officer of Bill's Drugs and formerly a longtime executive with Pay 'n Save Corp., died April 6 in Mount Diablo Medical Center, Concord, Calif., after suffering a stroke April 2.

"Cal brought many talents to Bill's Drugs, particularly in the financial, budgetary, administrative, and real estate areas," said Bill Eames, chairman and ceo. "He brought a number of experienced people into our organization who will be able to bridge the gap while we search for his successor. Yet his counsel and experience will be sorely missed."

Eames, who had worked with Hendricks since 1977, added, "He was a very balanced individual—able to balance family, church, and business. And he was able to sit down and help people sort out problems and find solutions. He was always very caring."

Calvin Hendricks

Hendricks joined Bill's Drugs' board of directors in 1977, when Bill's bought several stores from Pay 'n Save. At the time Hendricks was an executive with Pay 'n Save, and in 1982 became vice chairman and cfo there.

In 1986, Hendricks purchased the approximately one-third stake in Bill's Drugs that had been held by Seattle Standard, a corporate offshoot which resulted from the purchase of Pay 'n Save by the Trump Group. He joined Bill's in December of that year as president and chief administrative officer.

At the time, Eames said Hendricks "wanted to have the fun and excitement of helping another company grow and at the same time participate in the equity portion."

Hendricks was born in Centerville, Utah, in 1933 and grew up in Utah and Payette, Idaho. He declined a basketball scholarship at Brigham Young University to serve in the Air Force during the Korean War. He then attended BYU, and after graduation, joined the accounting firm of Price Waterhouse in Seattle.

In 1962 he was hired as controller by the Pay 'n Save Corp., beginning a long association with that company, which during his tenure included Pay 'n Save Drugs, Lamonts, Bi-Mart, Price Savers, and other retail businesses.

"He was one of the guiding lights of Pay 'n Save," said Walter R. Guidinger, former vp-real estate at Pay 'n Save, who worked closely with Hendricks for 18 years. "He was a very busy, energetic, interested person."

A Mormon, Hendricks was for 23 years one of three ruling members of the Seattle Stake of the Church of Jesus Christ of Latter-day Saints.

He is survived by his wife, Lona; his mother; two sisters; six children; and nine grandchildren.

Correction

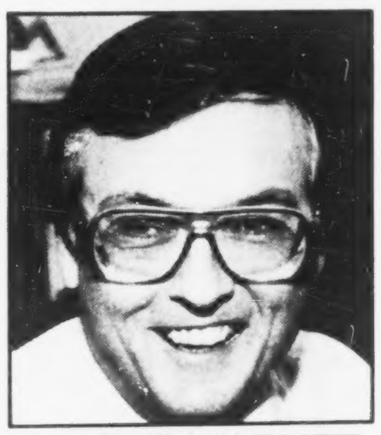
In the April 9 article on NACDS, a quote from Gerald Heller, chairman of the association, was mistaken attributed to John Covert, director of communications. The quote was: "When we started our search [to find a new president to replace the retiring Bob Bolger] we thought we'd have to give up something to find the person with a strength in government that we needed. We were glad we found that someone with both, since Ron [Ziegler] had association experience. I don't think we could have found anyone with such a good grasp of the business and someone who is such a quick study as Ron. He has an unusual knack for detail."

OPINION

Buying group outlook is promising

In Chicago a couple of weeks ago there were a few people who seemed ready to write the epitaph for Affiliated/Associated Drug Stores, the 62-year-old chain drug buying group.

But only a few. Most of those who attended the 3½-day merchandise show at the Hilton were enthusiastic about the future of the organization and the value of its semi-annual shows. There were also a few fence-sitters.



IN THE MARKET
BRUCE BUCKLEY

No question that the association faces a difficult challenge as some members and vendors weigh their options in light of a growing number of competitive shows as well as the cost, in time and dollars, of continuing to participate. But there are at least two reasons that on balance, as Ed Matteucci likes to say, make the association's long-term prospects seem better than even, if not entirely rosy.

Most important, virtually all of the smaller to mid-sized chains urgently want the association to survive and prosper. For them it serves as an important conduit for product information from manufacturers who do not often give them top-of-mind attention. What's more, the association provides a familiar, comfortable forum to talk to colleagues facing similar problems and to association staff members working on their behalf year-round.

Even the larger chains, with their superior sources of information, can stand to benefit from their exposure to ideas of smaller colleagues and to items that they might not have seen at larger shows or at their headquarters.

Second, manufacturers large and small can profit from their own exposure to these highly motivated, often entrepreneurial retailers. As manufacturers' sales forces shrink in size, the impulse is to concentrate on the accounts offering the greatest productivity. The growing use of telemarketing by the largest vendors somewhat offsets the increasing neglect of smaller accounts, but shows like Affiliated/Associated's can add a productive way for manufacturers to reach a lot of retailers in a hurry. In the process, both sides gain.

Mark Twain's celebrated reaction to reading his own obituary in a newspaper seemed entirely appropriate for the occasion. There are always people ready to jump to conclusions based on inadequate information or hasty analyses. Far better to wait for things to sort themselves out before rushing to judgment.

* * *

On the eve of NACDS' annual meeting in Palm Beach, it's good to see a venerable old name returning to the ranks of active drug chains. As our upfront news story indicates, Bob Begley has put together a deal to purchase 37 Eckerd drug stores in Tennessee and Virginia. They'll be called Begley/HealthMart, in recognition of the active participation of FoxMeyer's HealthMart franchising program in the new venture.

Begley's new launch also adds a small bit of momentum to the baby chain boomlet, as previously exemplified by SupeRx of Arizona, Reliable Drug and Dick George's new venture in Chicago. And with more than 700 Revco stores on the auction block, can there be more birth announcements in the offing? It's a welcome counterpoint to the ongoing consolidation of the industry.

Chain credibility at stake on green issues

Apparently fearing consumer backlash and regulatory enforcement, product manufacturers in many categories are backing off environmental claims.

THE HUMAN SIDE
AL HELLER

In the rush to gain market advantage, some have found themselves out on a shaky limb. That's not surprising. Today's market is unsettled, unsure of the value of specific claims and even the definitions of such terms as *degradability, ozone-friendly* and *safe for the environment*.

Household brands are involved—familiar names that have spent too many years and megabucks to risk being dragged through any mud of the Green Revolution; so they'll retrench for now until claims can be justified and made safely. Other suppliers just looking to cash in on the trend will be unearthed quickly by increasingly skeptical consumers and vigilant environmentalists.

The Green Revolution, symbolized by this month's Earth Day, promises to be a wholesome phenomenon that everyone involved can feel good about while fortifying their images. *Drug Store News* has reported recently on Pay Less's campaign to manage and recycle solid waste, and become an environmental leader in Oregon.

Four other West Coast retailers, looking to short-circuit misleading claims, have now begun working with a consultant to award "Green Cross" endorsements to products that really do help reduce pollution. Fred Meyer, Raley's, Ralphs and Abco Markets feel that they and other retailers must critically assess claims and help consumers make choices.

Proactive retailers are a positive force—for America and this trade class.

If drug chains unwittingly go along with product claims that they cannot judge, they may incur the wrath of an environmentally-conscious public. If they aren't sharp about green claims, might people soon wonder about the validity of their health care claims?

Letters to the editor

To the Editor:

On behalf of the board of trustees of the New York City Chapter of the National Multiple Sclerosis Society and the many thousands with MS whom we serve, I want to thank *Drug Store News'* REX awards program for its generous contribution to the fight against MS.

Thanks to people like you, the New York City chapter can be here with assistance and understanding until that time when we are able to eliminate this devastating disease. You have our deepest thanks for the generous support your publication and your industry have provided for our work. With allies like you, I know we will be successful.

Carol M. Kurzig
Executive director
New York City Chapter
National Multiple Sclerosis Society

To the Editor:

I just discovered from reading your April 9th annual report issue that Homeland Stores, Inc. was not included in your listing of supermarket companies with pharmacies.

Homeland currently operates 106 supermarkets, of which 45 have pharmacies. Our corporate offices and distribution center are located in Oklahoma City; our stores are found in Oklahoma, Texas and Kansas.

We're a member of FMI, and alive and growing in Oklahoma.

Gerald Hines, R.Ph.
Pharmacy coordinator
Homeland Stores, Inc.

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Market by market differences in H&BA seasonality patterns in major market drug stores*

(Four weeks ended July 14, 1989—unit measurement basis)

Market	Baby Powders	Baby Oils, Creams & Lotions	Contra-ceptives	Spray Deodorants	Foot Deodorant & Athlete's Foot Remedies	First Aid Antiseptics	First Aid Products	Shampoo	Eye Care Products	Shaving Creams	Razor Blades	Suntan Lotion Suntan Oil	Cosmetic & Medicated Skin Aids
New York	114	121	95	118	119	135	101	99	97	110	104	204	106
Chicago	126	106	105	103	121	136	109	121	107	102	106	173	110
Los Angeles/San Diego	89	94	92	103	102	103	114	92	94	90	109	83	95
Dallas/Ft. Worth	98	88	100	93	107	121	112	86	105	83	105	83	100
Miami	80	77	90	82	92	100	97	117	94	90	70	77	96
Boston/Providence	96	113	98	115	151	140	99	88	92	85	96	158	103
St. Louis	110	85	110	102	111	134	108	90	112	97	100	163	115
National	109	110	101	104	113	134	108	103	102	97	107	124	108

*Average 4 week period during year = 100
Source: Arbitron/SAMI

*Seasonality or growth trends by category in drug stores, national tonnage basis**

(H&BA categories with high summer seasonal invoices, year ended Dec. 29, 1989)

Category/Measure/Period Ending	1/27	2/24	3/24	4/21	5/19	6/16	7/14	8/11	9/8	10/6	11/3	12/1	12/29
Baby Powders—Pounds	91	107	88	99	90	109	109	115	133	111	85	78	85
Baby Oils, Creams & Lotions —Pounds	107	102	106	117	123	130	110	85	93	78	77	77	94
Contraceptives—Units	93	97	95	99	109	122	101	104	98	93	100	95	94
Spray Deodorants—Pounds	93	88	90	104	112	105	104	113	107	107	95	90	92
Foot Deodorants, Athlete's Foot Remedies—Units	83	82	91	99	118	112	113	123	115	106	95	87	76
First Aid Antiseptics —Pounds	93	97	91	101	91	100	134	132	93	97	90	87	94
First Aid Products—Units	91	101	94	107	112	103	108	114	105	102	94	83	87
Shampoo—Pints	95	95	103	102	97	93	103	116	100	114	98	98	86
Eye Care Products—Units	100	103	100	97	105	102	102	114	104	97	100	89	84
Shaving Creams—Pounds	117	89	89	99	95	91	97	111	96	117	105	98	95
Razor Blades—Count	99	101	92	93	94	96	107	111	101	105	111	94	98
Suntan Lotion & Suntan Oil —Pounds	94	164	281	209	151	157	124	48	22	13	14	11	12
Cosmetic & Medicated Skin Aids—Units	95	95	94	100	102	107	108	124	113	101	94	86	82

*Average 4-week volume during year = 100
Source: Arbitron/SAMI

Hot-weather seasonality affects H&BA category sales

PRODUCT TRACKING
ALAN MILLER

Of 58 H&BA categories tracked by Arbitron/SAMI in food and drug stores, 13 showed a four-week drug store index of at least 110 in one of 1989's summer periods.

Suntan lotion-suntan oil showed the highest seasonal peak, from February through mid-July, with four-week indices of 157 and 154, respectively. Baby powders rose 9 percent above the yearly average in June-July, peaked at 133 in the 28-day period ended in September, and fell back to 78 in the period ended December 1, 1989.

Seasonal peaking started earlier for baby oils, creams and lotions, and petroleum jelly. The 130 peak came in the period ended June 16, then fell back to 77 by October-November. Last year, the seasonal high of 122 for contraceptives was also registered in this early period.

Spray deodorants/antiperspirants enjoy better-than-average drug store sales from April through September, without sharp declines the rest of the year; the lowest four-week index for this category is 88 in February. The range is wider among foot deodorants and athlete's foot remedies: 123 in the period ended August 11, and the low in December.

First aid antiseptics peaked twice, at 134 and 132, in the periods ended July 14 and August 11; November was weak at 87. First aid products, including bandages, cotton, kits and swabs, reached 112 and 114 in May and August.

The best selling periods for shampoo came later in the summer, with levels of 116 and 114 for the spans ended August 11 and October 6. Eye care products, including contact lens solutions and washes, topped average monthly movement by 10 percent only in the period ended August 11. Neither shaving creams nor razor blades experienced consistent high or low periods of activity; in 1989, shaving creams reached 117 in January and October.

Market-by-market variations in seasonality

Besides reviewing seasonality patterns of these categories at the nation's drug stores, we have also investigated drug store index trends in seven geographically-dispersed SAMI markets. In order to register the fact that there are important differences in the timing of peaks and valleys of demand among markets, we have selected for scrutiny only the four-week period ended July 14, 1989. The index for each of the 13 product categories during the July period is shown, along with the national index.

It is obvious that many of the differences in summer peaking are related to climate. In the suntan lotion-suntan oil category, for example, by the time July rolls around, many users will have purchased such products in temperate markets such as Miami, Los Angeles and Dallas. In other instances where inordinately high or low indices are seen during the July 14 period—such as the 121 level for shampoo in Chicago or the 85 level for baby oils, creams and lotions in St. Louis—special promotional activities may be a factor. In such cases, seasonality may be obscured by other variables. This is often true when powerful new products are introduced, either nationally or locally, or conversely when category volume is falling rapidly.

> *Seasonality may be obscured by other variables. . . . This is often true when powerful new products are introduced.*

DRUG STORE NEWS®

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Annual Report Part II:

Chains build on core category strengths

Cont. from page 1

drug store retailing. Together with OTC proprietary drugs and toiletries, they accounted for well over half of all chain drug sales.

"Pharmacy is still the engine that pulls the train," noted new Walgreen Co. president L. Daniel Jorndt recently. He was describing Walgreens' merchandising and marketing philosophy, but his viewpoint is shared by most of the rest of the industry, as well.

> *'Pharmacy is still the engine that pulls the train,' noted new Walgreen Co. president L.Daniel Jorndt recently.*

The renewed emphasis on those three basic drug store categories hasn't dampened enthusiasm for other aspects of the business, however. Opportunities continue to abound for higher sales in areas like stationery, which also boomed ahead by 13.7 percent last year; videotapes, up in the double digits; and candy, which enjoyed an 11.7-percent hike in chain drug sales last year. Intensive promotion, new product development and product segmentation, and booming consumer demand drove those product areas.

There were some other stellar contributors in 1989, as well. In the broad range of general merchandise offerings, sunglasses, pantyhose and batteries all continued to reap strong gains. Cosmetics/ fragrances continued to benefit from efforts by chains like Perry Drug Stores, Pay Less Drug Stores NW and many others to reposition their beauty departments. Basic housewares and tobacco both retained a strong place in the mix.

Many drug chains also continue to cash in on the growing demand for one-stop shopping by stocking a broader selection of convenience foods, including high-margin cooler-case soft drinks, frozen foods and canned goods. Sales of soft drinks, liquor/wine, snacks and dry packaged groceries were all up at least 9 percent in 1989.

Annual Report Part II: Performance

Drug chains eye the 1990s focused sharply on core mix

The chain drug identity crisis seems to be over.

Drug chains spent a good part of the 1980s trying to position themselves in a rapidly shifting retail landscape against a raging sea of new and resurgent competitors.

In the process, the chains were forced to look long and hard at just what kind of business they conducted. They had to make fundamental, top-to-bottom decisions about merchandising and marketing—what kinds of merchandise they were going to carry, and how they were going to distinguish themselves from their competitors. What followed was an era of experimentation, as many drug chains sought the perfect balance between a merchandise mix that was too broad and too narrow.

What forced this reappraisal was the fact that everyone else was getting into the same business, eroding the old distinctions between trade classes and challenging drug stores for every part of their business. Even the most professional aspects of retail pharmacy were no longer off-limits for mass merchandisers eager to share in the profits offered by prescription drugs, H&BA, greeting cards, and other traditional drug store items.

Supermarket chains en masse decided in recent years that the drug and H&BA sides of the business were just too important to leave to drug stores.

Drawn by high margins, the aging of the population, and the growing appeal of one-stop shopping to today's time-pressed consumers, food retailers like Giant Food, Pathmark, Kroger, Vons, and Albertson's shifted their growth strategies almost exclusively to combo store formats. They hired pharmacy experts to help perfect the drug side of the format, listened to what their customers wanted, developed giant new store designs with ample space for drug store categories, and advertised their one-stop appeal long and loud.

Discount powerhouses like Wal-Mart and K mart have also swallowed big chunks of the nation's drug store business. Deep discounters have sprung up like mushrooms after a rainshower, further roiling the competitive picture. Consumers themselves have proven a remarkably fickle group in recent years, often putting price and convenience above old retail loyalties.

Little wonder, then, that the chain drug industry has passed through a decade of turmoil and soul-searching. After years of diversification into distracting, non-core businesses and general merchandise categories that deterred from their image as health- and beauty-care providers, many chains were caught at a disadvantage by the slew of new competitors in the 1980s. All were challenged to re-establish themselves by redefining their core business and image.

For the most part, that process is largely over. Most changes in the chain drug merchandise mix at this point are evolutionary rather than revolution-

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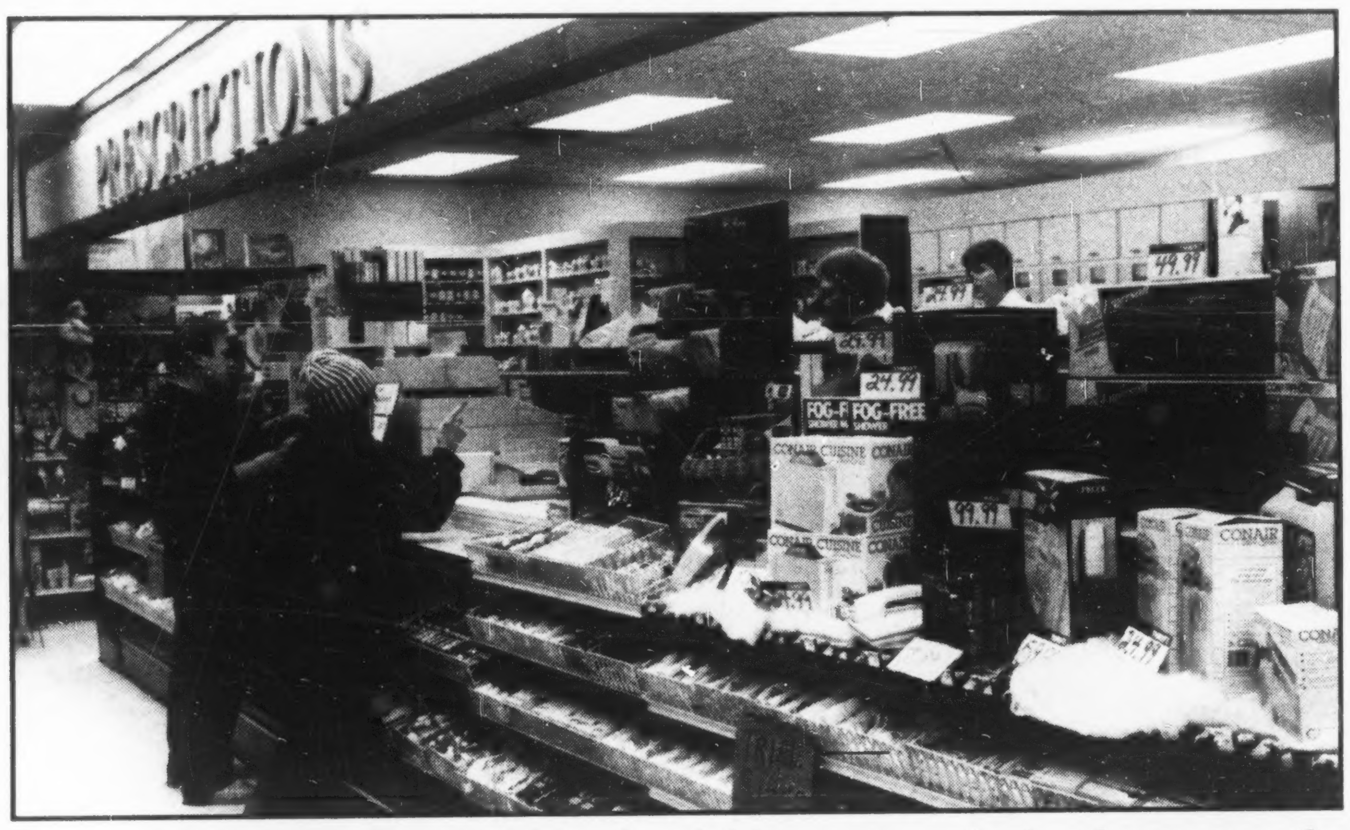

New store formats such as Thrift developed this year reemphasize pharmacy as the heart of a chain drug store, offering easy access to professional consultation.

Breakout of 1989 chain drug sales

Department	1989 total chain sales (add 000)	1989 % increase	% of total sales	% gross margins	Average turns
Prescriptions	$12,189,050	13.7%	30.6%	35-40%	6.5
OTC/proprietaries	5,948,174	10.9	14.9	30-35	5.0
Toiletries	4,133,627	9.6	10.4	25-30	5.0
Tobacco	2,476,311	4.7	6.2	15-30	15.3
Housewares	2,411,312	7.4	6.0	35-45	3.0
Stationery	2,056,808	13.7	5.2	40-45	4.7
Cosmetics	1,997,808	8.9	5.0	35-40	2.2
General merchandise	1,955,444	9.8	4.9	35-45	5.0
Photo/video	1,746,049	9.9	4.4	20-25	9.0
Grocery/snacks/soft drinks/beer/liquor/wine	1,660,610	8.8	4.2	15-20	5.2
Candy	1,469,380	11.7	3.7	25-30	7.5
Toys	846,124	5.9	2.1	35-40	4.0
Misc./promotional	968,112	9.7	2.4	15-20	N.A

Source: *Drug Store News* 1990 survey of drug chains

Even the most professional aspects of retail pharmacy were no longer off-limits for mass merchandisers eager to share in the profits offered by prescription drugs, H&BAs, greeting cards, and other traditional drug store items.

10-year sales trends

(In millions of dollars. 1985 base equals 100*, 1989 equals 137.7)

Departments	1980	1981	1982**	1983	1984	1985	1986	1987	1988	1989
Prescriptions	$3,983	$4,612	$5,105	$5,927	$6,733	$7,669	$8,475	$9,426	$10,717	$12,189
OTC/proprietaries	2,235	2,575	2,879	3,201	3,595	4,087	4,468	4,882	5,362	5,948
Toiletries	1,726	2,020	2,271	2,457	2,742	3,047	3,230	3,436	3,770	4,134
Tobacco	1,354	1,518	1,702	1,806	1,979	2,127	2,205	2,279	2,364	2,476
Housewares	1,065	1,238	1,389	1,497	1,606	1,676	2,003	2,083	2,245	2,411
Stationery	779	888	987	1,069	1,199	1,352	1,488	1,638	1,810	2,057
Cosmetics	831	976	1,107	1,205	1,352	1,481	1,605	1,715	1,834	1,998
General merchandise	893	1,035	1,146	1,227	1,337	1,416	1,212	1,287	1,780	1,955
Photo/video	680	791	891	1,001	1,114	1,235	1,294	1,425	1,547	1,746
Grocery/snacks/soft drinks/beer/liquor/wine	780	934	1,060	1,123	1,209	1,280	1,335	1,433	1,526	1,661
Candy	607	674	753	793	892	973	1,067	1,186	1,315	1,469
Toys	464	533	598	632	672	701	690	736	799	846
Misc./promotional	478	562	579	589	657	724	745	817	882	968

**Drug Store News* established calendar year 1985 as base year equalling 100. Merchandise growth shown in future census issues will reflect this index.

**Calendar 1982 and prior-year figures restated to reflect change in definition of chains from two or more to four or more stores.

Source: *Drug Store News* 1990 survey of drug chains

REVLON
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Counterclockwise from top right: Appealing to women shoppers is always in fashion, as done by Sav-on using well-lit cosmetics wall, name brand signage, wide aisles and floral displays. •Home office growth has been a bright spot for drug chains that assort broadly, price sharply and stress quality. Convenience is the big edge, though combos and specialty discounters are fiercely chasing this business. •Food is one of a drug store's main weapons in capturing the fill-in visit between major supermarket trips. •More frequent replanograming of health aids and other categories enables merchants to better reflect current trends and build shelf productivity.

Chains starting 1990s focused sharply on core mix

Continued from page 69

ary—a matter more of fine-tuning than of wholesale additions or deletions of departments. The drug chains and independents that weathered the competitive onslaughts and social transformations of the '80s face the same challenges in the '90s, but they are far more streamlined and focused than they were a decade ago. Most of them have rekindled the core aspects of their business—pharmacy, H&BAs, stationery, convenience foods, to name a few—and have repositioned themselves in those areas by building on and marketing the fundamentals that continue to drive the drug store business: convenience, service, value, selection and a strong emphasis on professionalism and health care.

Many chains also have a valuable new tool in their efforts to finetune the merchandise mix, with the addition of point-of-sale systems that capture detailed item movement information. The industry has also reaped big gains in the pharmacy department with systems that cut down on third-party-billing headaches, build detailed patient profiles, and free up pharmacists for patient counseling.

Efforts pay off

Efforts by drug chains to distinguish themselves from their competitors and refocus on their core merchandise categories continue to bear fruit. Overall chain drug sales were up a healthy 11 percent last year, with prescription sales leading the way with a powerful 13.7 percent gain. Thanks to the aging of the population, continued manufacturer price hikes and a greater reliance on pharmaceuticals in the health care spectrum, pharmacy continues to account for a growing share of total sales at many chains, including Walgreens, Arbor, Perry and Pay Less NW. Industrywide, the Rx counter now produces nearly a third of total store revenues.

Drug chains also racked up big gains in OTC/proprietaries, stationery, toiletries, cosmetics, general merchandise and photo in 1989. Margins for some categories have been squeezed by competition, but chains are holding their own in sales of film, blank videotapes, candy and other categories against strong competition.

Despite an overall trend back to basic core categories in recent years, many chains are finding new opportunities in convenience foods, which drove ahead nearly 9 percent last year. Walgreens, for instance, is putting c-food departments in hundreds of stores where direct competition from supermarkets is minimal. Many chains now stock cooler cases, including Perry, SupeRx, Snyder and Osco.

The industry is also beginning to respond to growing concerns about the environment. Biodegradable products and packaging made from recycled materials are beginning to show up in a few chain drug stores, including those of Pay Less NW.

Cosmetics sales up 8.9% to nearly $2 billion

Deep discounters, mass merchants, and combos faring the best

Chains that cultivate a department-store image and offer service and a broad assortment of franchised items attract more traffic.

Looking beyond modest advances made by cosmetics and fragrances in chain drug stores the past year, buyers are spotting strong growth segments: men's fragrances, foundations, mascaras, eye and lip liners, nail treatments, bath preps, and eye/face creams.

Overall, cosmetics grew 8.9 percent to nearly $2 billion in chain drug stores in 1989. Deep discounters, who are making increasingly stronger presentations, report their category sales are up in the double digits. Many manufacturers indicate their sales gains at deep discounters, mass merchants, and combos are far more dramatic than at conventional chain drug stores.

One example from a major supplier: more than 30-percent gains at deep discounters and other trade classes, compared with estimated 10-percent gains at conventional drug chains. His sales analysis indicates that K mart, Wal-Mart and other mass merchants have built their combined cosmetics/H&BA sales to about a 10 percent share of all commodity volume, up from virtually zero five years ago.

Combos up dramatically

He also estimated that combos now generate 15 to 20 percent of all his cosmetics/H&BA commodity volume, twice the rate of five years ago.

Many buyers confirm that their stores are feeling the effects of this shift. That's why so many chains are trying to upgrade their cosmetics departments, add more upscale and diverted department store lines whenever possible, improve lighting, provide more and better service, and price more competitively.

More chains are also organizing market research groups with consumers to learn where women are buying their cosmetics and fragrances, why they choose one store over another, and what they would like drug chains to do to make their stores more attractive to shop, both for cosmetics and the other core drug store categories.

Many of the major chains like Walgreens, Eckerd, Peoples, and Revco are using information from these focus groups to change the way they merchandise their stores and operate the department. In addition to "boutiquing" the department to make it more attractive and more like a department store, these chains are also investing in improving their overall operations, usually by hiring and training cosmeticians and cosmetician supervisors.

They are also trying to be the first in their markets to obtain and advertise hot new items, and they're doing everything they can to bring more department store lines into their mixes. To this end, they're buying more product from diverters and trying to arrange to go direct with key prestige vendors.

"One of the reasons we're not getting growth as strong as it has been in the past," said Don Gross, vp of marketing for Genovese Drug in New York, "is because many of the consumers we survey tell us they prefer to buy the franchised merchandise we can't get."

Continued on page 76

1989 cosmetics department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Fragrances	$ 586,415	9.0%	29.4%
Toilet water/cologne	458,810	10.2	23.0
Perfumes	96,288	4.4	4.8
Body sprays	31,317	7.6	1.6
Budget/pegged cosmetics	473,844	9.9	23.7
Nail polish/nail preps	205,555	9.3	10.3
Bath preps	173,402	9.5	8.7
Lipstick/lip color	165,115	7.4	8.3
Eye makeup	158,724	8.5	7.9
Facial treatments	124,016	7.5	6.2
Make-up, powder, cream/liquid	110,737	7.0	5.5
Total	$1,997,808		100.0%

Source: *Drug Store News* 1990 survey of drug chains

1989 cosmetics department highlights in chain drug stores

Chain drug cosmetics sales	$1,997,808,000
1989 percentage increase	8.9%
Percentage of total chain drug sales	5.0%
Typical gross margins	35% - 40%
Industry profit yield from cosmetics last year	$699,232,800 - $799,123,100
Average annual department turns	2.2

Source: *Drug Store News* 1990 survey of chain drug stores

Promos on brand 'families' are eyed to increase basics

Many buyers and cosmetics manufacturers said it will be more necessary than ever for drug chains to aggressively promote all their key areas to pull traffic into their stores.

Even as chains start to address the problem of traffic, they are fine tuning their cosmetics presentations to get more impulse sales from the wall rather than from pre-packs. In an effort to build wall business, many chains are cutting back on the number of off-shelf pre-pack promotions. Buyers will be "more selective" about the pre-packs they do authorize, and more concerned with handling the promotional business in a way that will help build the sales of basic stock.

Line events emphasized

Starting in May, June, or July, many buyers will begin advertising more line events rather than individual items. As they cut back on the number of pre-pack displays, they will be running more events to drive people to the wall.

This means there will be less emphasis on in-and-out shades or product packs and more emphasis on

Continued on page 76

Drug chains are experimenting with promotions that bring customers to the cosmetics wall and expose them to many offerings.

Drug chain cosmetic sales near $2B mark

Continued from page 74

One source estimated that this past year, diverted designer fragrances accounted for about 20 percent of all mass drug store fragrance sales. In deep discount chains like Drug Emporium and Phar-Mor it was closer to 40 percent, the source said.

"That's one of the reasons sales are soft for mass women's fragrances," the source said. "Women are trading off the mass brands to buy diverted fragrances whenever they can get them at discounted prices."

Many chains report that their cosmetics growth rates have slowed, but not quite as badly as they have in women's fragrances.

Chains like Drug Emporium, Phar-Mor, and F&M are all experiencing 'dramatic" increases in cosmetics sales.

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Service is the byword in cosmetics, with personalized attention making customers more loyal to the store, buyers said.

Brand 'family' promos eyed to increase basics

Continued from page 74

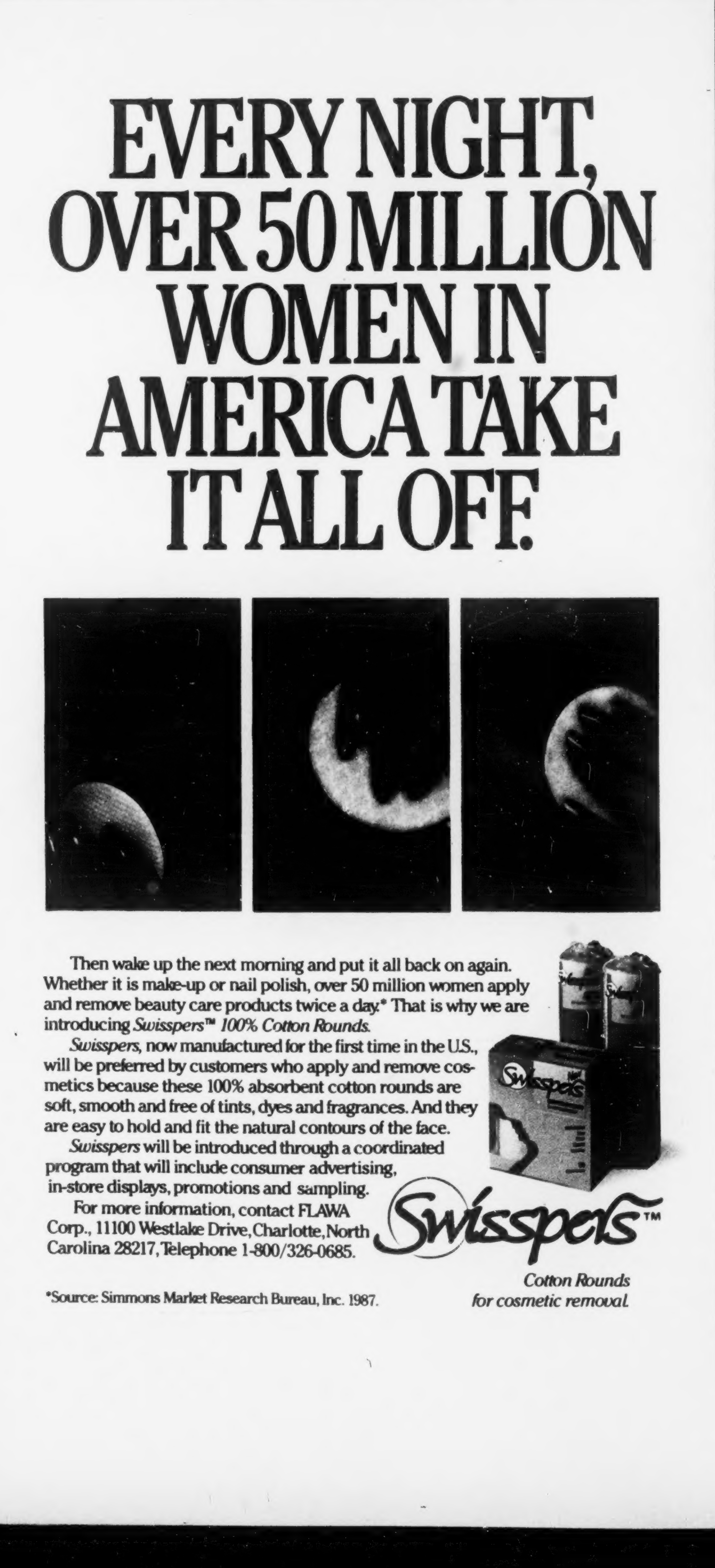
strategies like reduced pricing, cents-off coupons, or on packs that focus on a entire family (manufacturer) segment, like all Maybelline mascaras or all Cover Girl shadows, for example. Buyers hope this new strategy will increase turns for their everyday business while cutting back on the time and costs involved in handling returns.

If it works, it could also create a much healthier everyday business for chains. As several buyers pointed out, a strategy that drives customers to the wall instead of to an isolated pre-pack on a display could hype sales.

"If we're advertising all Maybelline mascaras at 30 percent off and we get women to come to the wall, they'll be exposed to everything else Maybelline makes as well as to L'Oréal, Revlon, and all the rest of the product we have to offer," one source said.

A few chains are revamping their cosmetic planograms for seasonal promotions. Instead of displaying these promotions off the shelf, Peoples is putting them right on the wall next to its basic stock. Like advertising a line, the plan is to use the promotions to bring more people into contact with the wall, and build day-to-day sales.

If this strategy works, buyers should be able to get a higher-ticket sale because instead of buying just one item on sale, customers will be exposed to related product, which may generate higher incremental or impulse sales.



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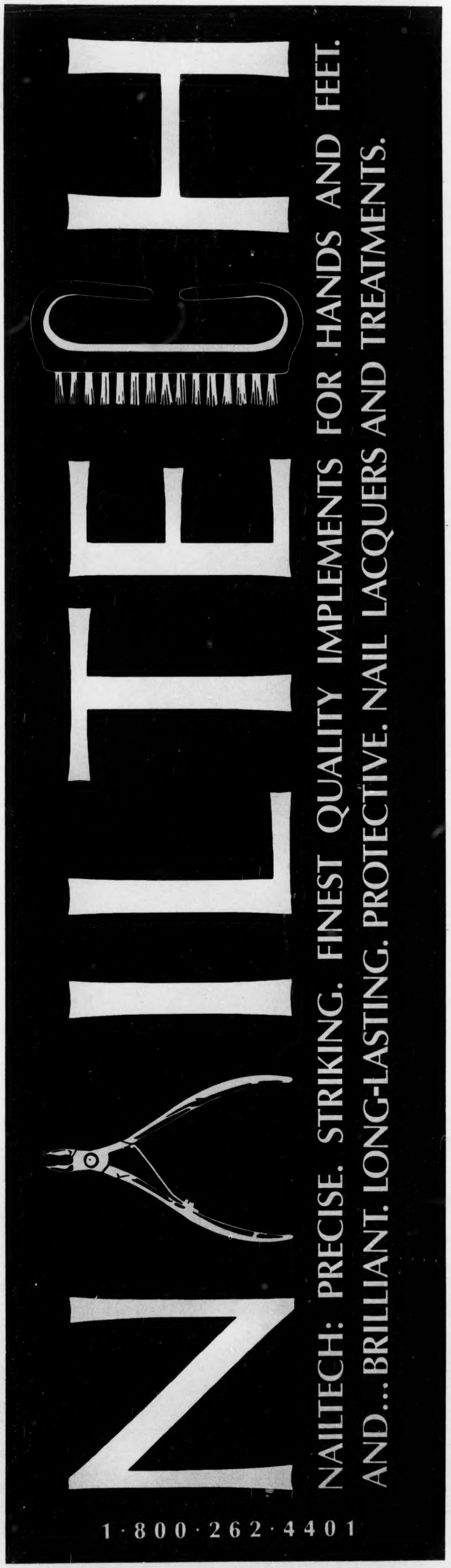

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Drug chain cosmetic sales near $2B mark

Continued from page 76

Some traditional chains like Eckerd, Arbor, Longs, CVS, Perry, and Peoples are advancing more rapidly than in 1988, but buyers for many other chains said color sales aren't quite that strong.

Chains with stronger growth attribute it to the changes they have made in their cosmetics programs, especially the investments they made in enhancing their cosmetics departments.

Chains like Peoples, Perry, Revco, Eckerd, K & B, and others have worked hard to improve all facets of their cosmetics departments, from service through ambience, presentation, and product mix.

Ed Kelly, Eckerd's vp of H&BA merchandising, said his sales are stronger "across most categories," and he expects the trend to continue.

Most buyers said their best growth is coming from mascaras, foundations, liners, bath preps, franchised creams and lotions, and nail care. The latter segment's increases are primarily in nail treatments and some color lines.

In categories like foundations, mascaras, franchised creams and lotions, liners and nail treatments, however, there have been a lot of new launches in recent months. Some have been innovative or multi-beneficial, like Factor's No Color and the extra-thickening mascaras from L'Oréal, Maybelline, Clarion, Factor, and Aziza.

Intros drive sales

Most buyers said that in categories where there has been a lot of major new product activity in the past year, their year-to-date sales are up.

Face makeup, for example, is showing growth in most chains. Several buyers said it was partly because Max Factor's new line, New Definition Makeup, is doing exceptionally well. L'Oréal's Mattique, launched last year, is also doing very well, as are Revlon's repackaged face makeups.

Certain lines are also outperforming the category. Most buyers said they were still seeing good growth for Cover Girl, L'Oréal, Almay, Factor and Revlon.

In California, Denise Boyer, cosmetics buyer for Longs, said she was seeing good growth in Physician's Formula cosmetics as well.

However, buyers cite an overall softness in cosmetics this past quarter over what occurred in 1989, which they attribute to intense competition, fewer new product introductions, and a late Easter

This year and for the much of last year, chain drug buyers have spent a great deal of energy aligning inventories, returning old or outdated merchandise, and handling returns. This made it harder for stores to get new merchandise out or new displays set up.

On the brighter side, the pressure of competition has caused many chains to identify target markets and reach new customers. This year many chains are talking about targeting teens, grandparents, and depart-

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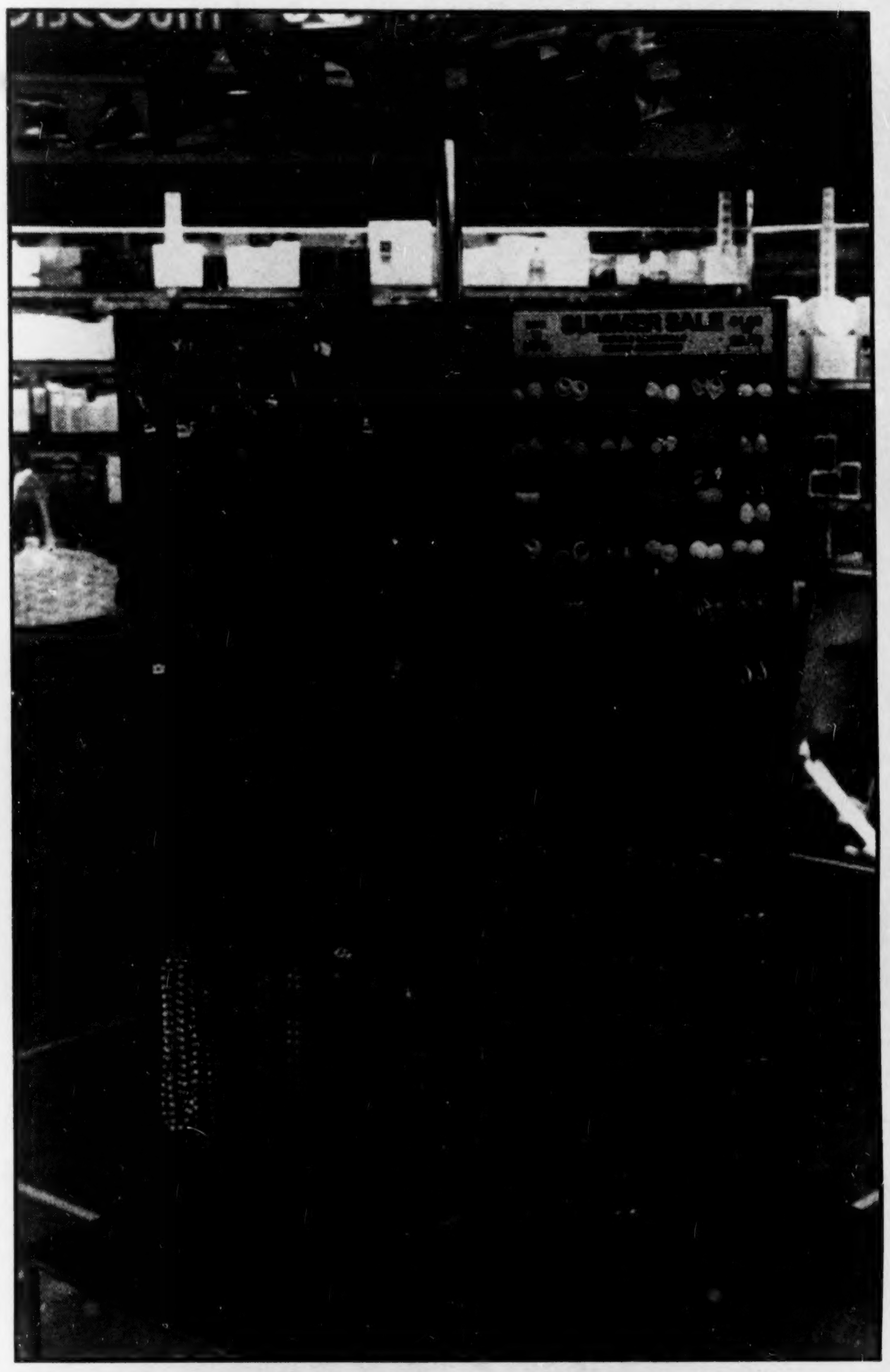


Arbor Drug is among chains that dramatically increased jewelry sales by improving the display and the merchandise assortment.

Bath Products

The explosion of bath has many chains giving the category its own high identity, as seen in this Drug Emporium.

1989 toiletries department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Facecream/skin care	$ 593,235	18.8%	14.4%
Deodorants	458,075	9.7	11.1
Men's toiletries	443,368	10.8	10.7
Shampoos	404,437	3.3	9.8
Hair color	344,408	2.6	8.3
Ethnic (incl. black cosmetics)	273,012	4.1	6.6
Rinses & conditioners	256,865	6.3	6.2
Body creams & lotions	197,170	16.5	4.8
Razors/disp. blades	184,422	8.7	4.5
Hair sprays	177,087	11.6	4.3
Hair accessories	158,085	12.9	3.8
Suntan/sunburn	111,970	11.6	2.7
Sun protection	107,532	17.2	2.6
Styling aids	86,244	9.8	2.1
Shave creams	66,922	12.8	1.6
Perms/straighteners	27,910	3.3	0.7
Depilatories	14,323	10.7	0.3
Miscellaneous	228,561	6.3	5.5
Total	$4,133,627		100.0%

Source: *Drug Store News* 1990 survey of drug chains

Deodorant and shower product sales are booming, say buyers, who credit promotions, new products, and America's active lifestyle.

With trade-ups' help, toiletries increase 9.6%

Increased competition has made selling toiletries harder for many traditional drug chains. They find themselves banging heads with food and mass merchandise chains and deep discounters, which regularly promote or display the best-selling and most-sought-after brands at extremely low, competitive prices.

However, the overall category did continue to grow in the chain drug industry in 1989, up 9.6 percent from a year ago to $4.13 billion, according to *Drug Store News'* latest survey.

Some segments within the category did exceptionally well in '89. Sales of professional and premium-priced hair care brands increased as drug stores tried to trade customers up to the higher-priced products. Many chains revamped their planograms to group the products by families to further attempt to generate trade-ups.

Skin care items popular

Face, hand, nail and body skin care lotions were popular, both with the mature woman who has long been the category's mainstay, and with a growing number of teenagers concerned about how they will appear later in life. Skin cleansers and sun tanning/sun protection products were also popular, as people tried to care for their skin now and protect it against the ravages of time for the future.

Sales of children's grooming products also increased. These were funded for the most part by aging, affluent baby boomers who will purchase entire lines, feeling that nothing is too good for their offspring. These same overstressed parents helped the bath preps segment, as they bought bubble and mineral baths to soak away their own cares and help them relax.

Another important trend concerns the use of natural ingredients and companies that have environmental integrity. Buyers said that manufacturers committed to making products that use ingredients and packaging that is sensitive to the welfare of the planet and those that don't abuse animal rights are the wave of the future.

Trade-ups was the by-word of toiletries in 1989. In both hair care and skin care, there was a definite move to organizing planograms by price points and brands in concrete efforts to trade customers up and attract them to the premium and semi-professional lines.

Drug Emporium, Peoples and Perry have hair care planograms that group the low-priced or value brands by family. That section then flows into a collection of mid-priced brands and then higher-end brands. Most planograms usually end with a section for such prestige and semi-professional lines as Salon Selectives, Jheri Redding, Pantene, Vidal Sassoon, La Coupe, Infusium, TRESemme and Redmond.

New Peoples planogram

Peoples Drug implemented its new hair care planogram in January. The set now presents every brand by family: all Flex together, all Studio Line together, and all Salon Selectives together, as examples.

"We did it because we felt it was just the most logical way for consumers to shop," says Vicki Williams, Peoples' vp of cosmetics.

"I think this is the way consumers buy hair care products. The way we were merchandising hair care was a hodge podge. Shampoos and conditioners were in one place, gels and mousse were in another place, and hair sprays were somewhere else. But people don't shop hair care by department; they shop by brands."

However, this approach isn't being followed by chains across the board. Although more chains are starting to include companion styling aid products in the same family set with shampoos

Continued on page 87

1989 toiletries department highlights at chain drug stores

Chain drug toiletries sales	$4,133,627,000
1989 percentage increase	9.6%
Percentage of total chain drug sales	10.4%
Typical gross margins	25% - 30%
Industry profit yield from toiletries last year	$1,033,407,000 - $1,240,088,000
Average annual department turns	5.0

Source: *Drug Store News* 1990 survey of drug chains

Sales of skin care products, both moisturizers and cleansers, are trending upward, with women convinced of the beneficial effects of the products.

Drug stores' toiletries byword is 'trade-ups'

Shaving products are a solid, basic drug store category. Formulas that soothe or moisturize the skin are particularly popular.

Continued from page 85

and conditioners, the approach changes when space is a problem or when chains are focused on other priorities. Then, it's still not uncommon to find all shampoos and conditioning brands together in a generic set, and then all the styling aid products together in the style section of the planogram.

At Genovese Drug in New York, cosmetic buyer Stephanie Hayter is working on a super planogram that will put all the skin care and franchised lines together.

Wall or gondolas

In stores where she can find the space, she plans to test it on the wall. In stores where cosmetics can't afford to give up wall space, she will merchandise it on gondolas, probably in the first adjacent toiletries aisle.

"If you take Olay and put it in a super set with a lot of other skin care items including the franchised brands," she says, "you might be exposing that user to a whole lot of product they're not familiar with. So if we had skin care that close to cosmetics, they could depend on the cosmetician to answer any questions. And, I think we would get impulse sales as people decide they're ready to try something new."

SupeRx's cosmetics merchandiser, Mike Russell, also believes that putting franchised brands in with mass brands will give customers a chance to trade up to the more expensive franchised lines. By merchandising all skin care together and giving the planogram a more organized presentation, Russell thinks it may be possible to generate annual growth of 15 to 20 percent or better.

Retailers polled said that the family concept doesn't extend to hair color and perm products because the synergism just isn't there. They explained that these categories serve such a specific need that consumers don't even think of buying a L'Oréal shampoo just because they buy L'Oréal color, or Condition shampoo because they buy Clairol color.

However, customers who color their hair or perm it will look for cleaning, conditioning and styling aid products that are specially formulated to their particular hair care needs. This has led to strong growth in these types of specialty or niche-specific products. Recently there have been launches targeted at women with permed or color treated hair, and those who want to enhance their hair's shine and sheen.

Other specialty segments, however, have had slower growing. Except for Pantresse's Folicure, which has done very well in its thin hair niche, other products geared to men or women with thinning hair have found the going kind of slow. Buyers think these lines will probably catch fire over time, but no one knows how much time it will take to build the category.

Because deep discount chains have the traffic and space to mass display product, their toiletries sales are showing double-digit growth.

Men's hair color, on the other hand, is showing above-average growth. Combe's Grecian Formula and Just For Men are still the strongest brands, but Clairol seems to be attracting new users to Option.

Relaunched brands continue to prove that a little extra marketing support goes a long way in courting consumer attention. Popular and established value-priced brands like Break and White Rain are doing very well in the wake of recent face lifts. The early reports on Clairol's Condition is that the repackaging and relaunch seems to be a good move, although the jury is out on how much the new look can hype the shampoo/conditioner sales once they hit stores early this summer. Revlon's restage of Clean 'n Clear certainly hyped sales, at least for a while.

Can't forget the price

On the other hand, price is still important. No one thinks the relaunch of Flex has been super-successful; some buyers say the relaunch may have hurt Flex because price points went up. Buyers also believe that Revlon tried to reposition Flex as a higher-priced line to create a moderate-priced niche for its new Internationals line. If that's the case, the strategy may have been ill conceived because most buyers say Internationals isn't doing much. The buyers think the line is too vaguely positioned and too confusing for consumers to understand.

Certainly in today's market, a clear position helps. So do clear product benefit statements and packages that are environmentally safe.

At this year's International Hair Care Show in New York, which is an exposition for salon operators, there was a tremendous emphasis on products that come in packages that are environmentally safe (like non-aerosol sprays that don't threaten the earth's ozone layer), on products that are not made with oils or animal fat, and products that were not tested on laboratory animals. Some buyers think these issues will soon filter down to the mass market consumer.

Natural-ingredients popular

Natural-ingredient formulas also show promise, as do fruit-scented formulas. Popular scents include watermelon, coconut, apple, and lemon. Citrus ingredients are also turning up in many new launches as sheen enhancers.

The word aloe is magic right now. If it's on the product package, it almost guarantees the item will sell. Mennen is targeting both babies and their mothers as potential users of its latest Baby Magic line extensions. The new formulas have aloe as an ingredient, which should make the line very attractive to women who have dry or easily irritated skin.

The sensitive-skin category is still showing above-average growth. Since Olay launched its sensitive-skin formula over a year ago, total category sales are up almost 200 percent for this segment.

Sun care and bath are the other two strong growth segments in toiletries. At Peoples Drug in Washington, sun care buyer Terry Lehman reports his sun protection sales have been outpacing suntan sales for the past two years. The bulk of his protection sales are for SPFs of 15. Lehman says just about every SPF 15 sells well.

At Perry Drug in Detroit, Scott Gorley, assistant vp of H&BA, says he sees the category going more and more to lotions and sun protection brands.

"It's a healthier American we're dealing with today—more aware of the problems from too much sun exposure," he explained. "We've taken space away from oils to give it to lotions and protection products."

Home office pads bottom line in stationery

1989 stationery department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Cards	$ 724,611	13.9%	35.2%
School, home office	634,591	16.2	30.9
Books & magazines	303,645	11.4	14.8
Writing instruments	129,475	12.7	6.3
Gift wrap	113,372	8.9	5.5
Social stationery	77,030	11.1	3.7
Disposables/party supplies	59,875	9.9	2.9
Art supplies	14,209	8.3	0.7
Total	$2,056,808		100.0%

Source: *Drug Store News* 1990 survey of drug chains

1989 stationery department highlights in chain drug stores

Chain drug stationery sales	$2,056,808,000
1989 percentage increase	13.7%
Percentage of total chain drug sales	5.2%
Typical gross margins	40% - 45%
Industry profit yield from stationery last year	$822,723,200 - $925,563,600
Average annual department turns	4.7

Source: *Drug Store News* 1990 survey of drug chains

Home office supplies, picked as one of the 10 hottest segments for 1990 in a *Drug Store News* survey released in January, spearhead growth in drug chains' stationery/home office departments.

Many chains have responded to the increasing number of consumers working out of their homes—a projected 36.8 million home workers by 1992, or almost 29 percent of the workforce—by expanding their home office sections. Some have reaped double-digit sales increases as a result.

Chains with stringent space constraints sometimes opt to broaden their selection rather than physically increase space for home office products, and many are grouping all home office merchandise together into a section distinct from the rest of the stationery department. This is being done so customers "don't have to search among the Snoopy folders for home office items," reasoned one buyer.

Fashion is important

Drug chains often look to fashion in home office and school supplies to differentiate them from the competition. A growing number also use warehouse pricing and small bulk packs of legal pads, index cards and other heavily-used items to attract the home office consumer. As one merchandiser pointed out recently, customers prefer to buy six legal pads rather than just one, but "not a whole pallet."

While such items as file folders, business envelopes and note pads are the bread and butter of the home office segment, many chains, especially those operating in suburbs, find customers are willing to pay for better quality and fashion upgrades.

Some have added or are considering adding computer supplies and fax paper to their mix, but others remain unconvinced. Several buyers report they stock computer paper in order to have a well-rounded selection or because they expect the business to grow eventually, rather than because sales justify it currently.

Advertising schedules

Many chains include some stationery items in almost every ad, with tax time a particularly good opportunity to promote home office supplies and let consumers know they're in this business. Some buyers maintain that tax-time advertising should start as early as January and continue right up to taxpayers' day of reckoning.

While a few chains report feeling the impact of specialty office supply megastores, others say their target customers differ: specialty stores such as Staples aim for the small- and medium-sized office customer, while drug chains target the home office worker.

The school/home office category is a year-round, profitable area for drug chains, many of whom report gross margins of 40 percent to 50 percent and average turns ranging from four to double digits.

At drug chains, school/home office had the largest increase in sales—16.2 percent—of any segment in the stationery department for 1989 over 1988, and represented 30.9 percent of total category sales in 1989, second only to greeting cards' 35.2 percent.

One interesting point made during the Back-To-School seminar in February co-sponsored by *Drug Store News* was that the whole stationery/home office department often leads other categories in fashion looks, colors and licenses. (The Back-to-School fad this fall appears to be neon, even in backpacks.)

The category also is a major beneficiary of a trend among consumers—especially home office customers, but also high school and college students—to become better organized.

And the consensus among stationery buyers seems to be that there is no reluctance among consumers to trade up for perceived value in school and home office supplies.

Buyers of school supplies generally approach fashion on a promotional basis, with the Back-to-School season the main opportunity. "Back-to-School is fashion time; the rest of the year, it's not too important," said one buyer. While stationery merchandisers may look to in-and-out promotions for fashion statements, many say they gear their everyday program to the basics. However, one merchandiser added, "Although fashion isn't a major part of the business, it's still a meaningful part."

Although this year's Back-to-School show abounded with the latest licensed characters, a number of buyers were loathe to venture beyond such standbys as Garfield and Mickey Mouse, recalling getting stuck with a faded fad in the past.

Writing instruments sales

Writing instruments also showed good gains in 1989 at drug chains, with sales up 12.7 percent over 1988. The disposable fountain pen at under $5 was a popular item, and several writing instrument manufacturers generated excitement with eye-catching colors and designs and high-voltage, space-efficient packaging.

Although not a major factor for most chains' stationery departments, arts and crafts supplies is a segment with real potential, many buyers report. They see items for preschoolers as especially promising, in light of the increasing number of working mothers and the consequent upsurge in day care centers.

With sales up 14%, chains create greeting card boutiques for impact

In Walgreens, they're up front near the entrance; in Douglas Drug, they're in back near pharmacy. Greeting cards sell, whether they're positioned to draw traffic through the store or in a prime location for impulse purchases.

The card department represents the largest piece—35.2 percent—of the stationery category sales pie in drug chains, and sales increased almost 14 percent in 1989 over 1988.

While the trend in the past few years has been to move cards, wrap and party supplies to the front of the store, a more recent trend is toward an increased number of shorter runs, creating a boutique effect, rather than long valleys.

More chains now are promoting greetings cards in ads, taking advantage of high selling periods like Christmas, Mother's and Father's day, Valentine's Day, Easter, Halloween, St. Patrick's Day, graduation—the list seems to get longer by the year. Some turn the excitement up a notch with giveaways or specials on gift-type items with card purchases.

While holidays, birthdays and other special occasions dominate the business, greeting card manufacturers are responding to societal and consumer trends with a profusion of new nonoccasion lines.

The growing number of working women and Americans' increased mobility has made it more difficult for people to maintain relationships, and greeting card companies are introducing lines that address their need to communicate thoughts and feelings, such as support for people facing difficult situations. Recent card lines address the juvenile market, mature adults, romantic relationships and parent-child relationships, for example.

In addition, vendors are cultivating niches including the nondenominational religious markets, various ethnic groups and the inspirational market.

Alternative cards and wrap reflect lifestyle trends

- Alternative cards represent 25 percent of the greeting card market.
- Alternative cards' retail sales amount to $660 million.
- More than 50 percent of alternative card purchases are impulse.
- The juvenile market is growing, with the number of children age 1-12 expected to hit 44 million by the end of 1990.
- Relationship-based cards—romantic relationships, keeping in touch with friends and relatives, inspirational cards, cards for mature adults and more—represent a growing trend in alternative cards, in response to changing communication needs.
- The percentage of male card shoppers has grown from 8 percent in 1984 to 12 percent today. Moreover, 25 percent of alternative-card consumers are male.
- Time-saving alternative gift wrap—gift bags and boxes—is on the upswing. Everyday wrap sales comprise about 40 percent of the gift wrap market and are growing 5 percent to 7 percent a year. Everyday wrap includes traditional wrap, which accounts for about 80 percent of this market, and alternative wrap, which accounts for about 15 percent. The alternative wrap market is growing 20 percent to 25 percent annually.

Source: American Greetings

Drug chains in thick of photo fray

The photo department remains a hotly contested, crucial business, as drug chains fight to maintain their slim lead as the nation's top choice for photofinishing.

Chain operators are contending with white-hot competition in the photofinishing market, much of it coming from the roughly 16,000 one-hour photo labs that have sprung up in the U.S. over the past decade. According to the Photo Marketing Association, drug stores held a slight edge as the nation's top outlet for photoprocessing in number of rolls developed in 1988, the last full year for which figures are available: a 23.8-percent share, with stand-alone mini-labs close behind, at 21.1 percent.

Meanwhile, supermarkets and discount stores reap steady gains in photoprocessing market share as they promote the service more aggressively and add in-store labs.

"While all outlet types experienced actual roll-count increases [in photofinishing], only discount stores and supermarkets experienced growth above the market average," the PMA noted in its last industry report.

One example: Smith's Food and Drug Centers, based in Salt Lake City, finished 1989 with 15 in-store mini-labs, and will probably double that number this year, according to a company spokesman. "The good margins are in developing, but it's a very competitive business," he told *Drug Store News* recently.

Most drug chains, meanwhile, remain cautious about the feasibility of in-store mini-labs. Despite big improvements in mini-lab technology over the past few years that have eliminated the need for special plumbing and cut down required space significantly, most chains have yet to try the concept, or are testing in-store labs only on a small scale.

One major exception: Eckerd Drug, which has put Express Photo one-hour labs into 130 of its stores in Florida and Texas and reached enough of a "critical mass" with that approach to make it profitable. "We weigh a lot of criteria when putting them in, like demographics and location," Eckerd president Harry Lambert said.

Other chains which have waded slowly into the in-store processing business include Longs, Genovese, Pay Less NW, SupeRx of Arizona, Walgreens and Standard Drug. Revco is also considering the concept for some of its new and remodeled stores, a company executive noted several months ago.

Meanwhile, drug chains continue to promote their photofinishing services heavily and expand the choices available to their customers in terms of print size, quality and two-for-one options. Those services and promotions figure heavily in how well chains can turn their two or three lines of film.

"Film goes hand-in-hand with photofinishing," said a spokesman for Perry Drug Stores recently. "The more film we sell, the more we get back for photofinishing, and vice-versa. So we feel we have to offer more [developing] choices than our competitors."

HOME OF
PICTURE PICTURE
ONE FOR YOU
ONE FOR FREE
clocks
radios
appliances
electron

Drug chains are fighting to remain the leaders in photoprocessing against stiff competition from supermarkets and discount stores.

Price hikes by the major film manufacturers late last year forced some new decisions on chain merchandisers, who had to choose between passing the higher prices onto their customers or swallowing them to maintain or build business. Either way, they face steadily increasing competition for the film business from supermarkets, discounters and other trade classes.

Drug chains are fighting hard to hold their share of the business for obvious reasons. Film continues to generate some of the most rapid turns in the drug store, with a minimum of required real estate. And the 35mm boom has pushed the category at double-digit sales gains for much of the past decade.

Chains also benefit from the heavy promotional support afforded by film manufacturers, who are locked in a fierce battle for market share and retail space. Although Kodak remains dominant with an estimated 80 percent of the U.S. market, Fuji has been an aggressive competitor in recent years, spending heavily to capture an estimated 11 percent of the domestic market and challenge the Kodak monolith. Polaroid has also made substantial inroads with its OneFilm entry. And Konica has also spent heavily to boost name recognition among U.S. consumers and gain market entry.

1989 photo/video department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Film	$ 656,500	9.9%	37.6%
Still color	441,849	12.6	25.3
Instant	208,083	4.7	11.9
Still b&w	6,568	4.2	0.4
Processing	646,446	12.4	37.0
Flashbulbs/flash attachments	235,933	4.1	13.5
Blank video cassettes*	149,955	11.7	8.6
Cameras	57,215	2.2	3.3
Total	$1,746,049		100.0%

*Restated

Source: *Drug Store News* 1990 survey of drug chains

Prices, mix give chains an edge in mature tape market

Videocassette recorders have found their way into nearly three out of four American homes, fueling a market for blank videocassettes that has boomed to more than $2 billion annually. Drug stores have captured roughly 13 percent of that market, according to a market estimate by 3M/Scotch, by jumping in aggressively with broad product selection and continual discounts and promotions.

Now, with household VCR penetration at near-saturation levels, the videotape market has matured into single-digit sales gains every year and a battle for market share among a handful of major manufacturers. The market has also become segmented by varying grades of tape quality and new labeling and packaging systems to give customers more choices and more convenience.

High-quality lines

In general, videotape and audiotape manufacturers have moved to overcome the rampant price-cutting on standard-grade blank tapes by offering more expensive, higher-quality lines and new tape grading systems. Increasingly, they are also responding to consumer demand for multipacks of three or more tapes.

Even on promotion, blank tapes yield gross margins of 20 percent or more, most retailers say. And they remain fast turners and traffic-builders, despite the maturity of the market.

Increasingly, however, the chain drug industry has become disenchanted with the potential of the video rental business. Faced with growing competition from Blockbuster Entertainment and other large-scale video specialists, most drug retailers have avoided or gotten out of the business.

Accelerating the trend last year was the departure of Rite Aid from the rental business. Rite Aid opted last fall to remove its video rental departments from 1,000 stores offering rentals "because our sales were slack in that area, attributable to other types of competition for video rentals," a spokesperson said.

Nevertheless, some drug and combo chains have carved out successful niches in the rental business. Among them: Wellby Super Drug in Maine, Lewis Drugs in South Dakota, Concord-Wrigley and Richardson's Pharmacy in Michigan, Randall's Food and Drug in Texas, and Smith's Food and Drug Centers in Utah and Arizona.

Videotape and audiotape manufacturers have moved to overcome the rampant price-cutting on standard-grade blank tapes by offering more expensive, higher-quality lines and new tape grading systems.

1989 photo/video department highlights in chain drug stores

Chain drug photo/video sales	$1,746,049,000
1989 percentage increase	12.8%
Percentage of total chain drug sales	4.4%
Typical gross margins	20% - 25%
Industry profit yield from photo/video last year	$349,209,200 - $436,511,500
Average annual department turns	9.0

Source: *Drug Store News* 1990 survey of drug chains

NIBBLES & SWEETS
18
CHOCOLATE PRETZELS
FROSTED PRETZELS
CHOCOLATE PRETZELS

An upscale candy and snack selection, stocked with boxed gift candies and snacks, and featuring gourmet favorites such as Tobler and Callard & Bowser products, is found in this Centreville, Va., Fantle's.

HALLOWEEN CANDY GUARANTEE
HALLOWEEN CANDY GUARANTEE
HALLOWEEN CANDY GUARANTEE
HALLOWEEN CANDY GUARANTEE
PHARMACY
7
5

Perry Drug's store managers are encouraged to show their creativity when designing seasonal candy displays.

Drug chains take bite of high-impulse candy sales

Candies and snacks in 1989 continued to crunch their double-digit sales gains in chain drug stores—with some aggressive operators posting close to 20-percent gains from the high-impulse category.

At Duane Reade in New York City, for example, candies, snacks and convenience foods are the fastest growing items. They are stacked high by the front of stores, priced sharply, and meet the convenience needs of business people, who are the chain's primary neighborhood customers.

This strategy is similar to that of deep discounters Rockbottom, F&M, Drug Emporium and Phar-Mor, who make even more powerful statements in their larger spaces. At Rockbottom, candy yields 30- to 40-percent margins and turns 10 to 12 times annually. "We can undercut the food stores by 20 percent or more on this category and still make money," said a chain source.

Overall, candy sales grew 11.7 percent in chain drug stores to $1.47 billion. The advance was led by bagged candies, up 13.9 percent to nearly $600 million in 1989.

At Douglas Drug in New England, assistant director of marketing Anna Iacono believes consumers are buying more candy and snacks than ever, especially at Christmas, Thanksgiving and Halloween.

Perry Drug also emphasizes seasonal sales, displaying prominently in the power aisle which runs down the center of the stores. Store managers are encouraged to be as creative as possible with the displays.

At Cincinnati-based SupeRx, food buyer Dave Coleman says that "If it's candy or snacking item, it sells. I can't think of anything in these categories that hasn't done well this year."

Two chocolate introductions that have done well, according to buyers: Mars Bounty bar and Hershey's Symphony.

Palmer and Bartz seasonal chocolates also were cited as strong brands.

In snacks, many buyers said that corn chips, bagged popcorn, microwave popcorn, crackers, cookies, and snacking cakes are selling well—led by such brands as Nabisco, Keebler, Sunshine and Little Debbie.

Other strong brands cited: Ritz's peanut butter crackers, Eagle's three flavors of roasted peanuts, Frito-Lay and Wise potato chips, Entenmann's baked goods and Smucker's snack gift sets as strong sellers.

Single-serve snack packs in all flavors continued to outpace the category for most chains, a trend one buyer attributed to the growth in single-person households as well as to a maturing America.

Today, many buyers have broadened their working definition of what constitutes a snack to include just about any edible product that can be eaten right from its pack or prepared in a hurry.

Many drug chains now have ice cream coolers in their stores, and some like K&B and Walgreens make their own ice cream. Many chains have put in Good Humor cases to sell single-serve ice creams. Buyers say margins on the ice cream category are usually between 30 percent and 45 percent.

Also gaining presence: baseball cards and collector sets from Amurol, Topps, Leaf, Donruss and Fleer.

At Arbor Drug in Michigan, vp-purchasing Dennis Wozniak said sales of a $20 collector set of baseball bubblegum cards last year were phenomenal. "Adults are buying them as much as kids," he said.

At SupeRx, David Coleman said he saw the same trend. He says collector sets have been showing consistent growth for three years.

1989 candy department productivity in chain drug stores

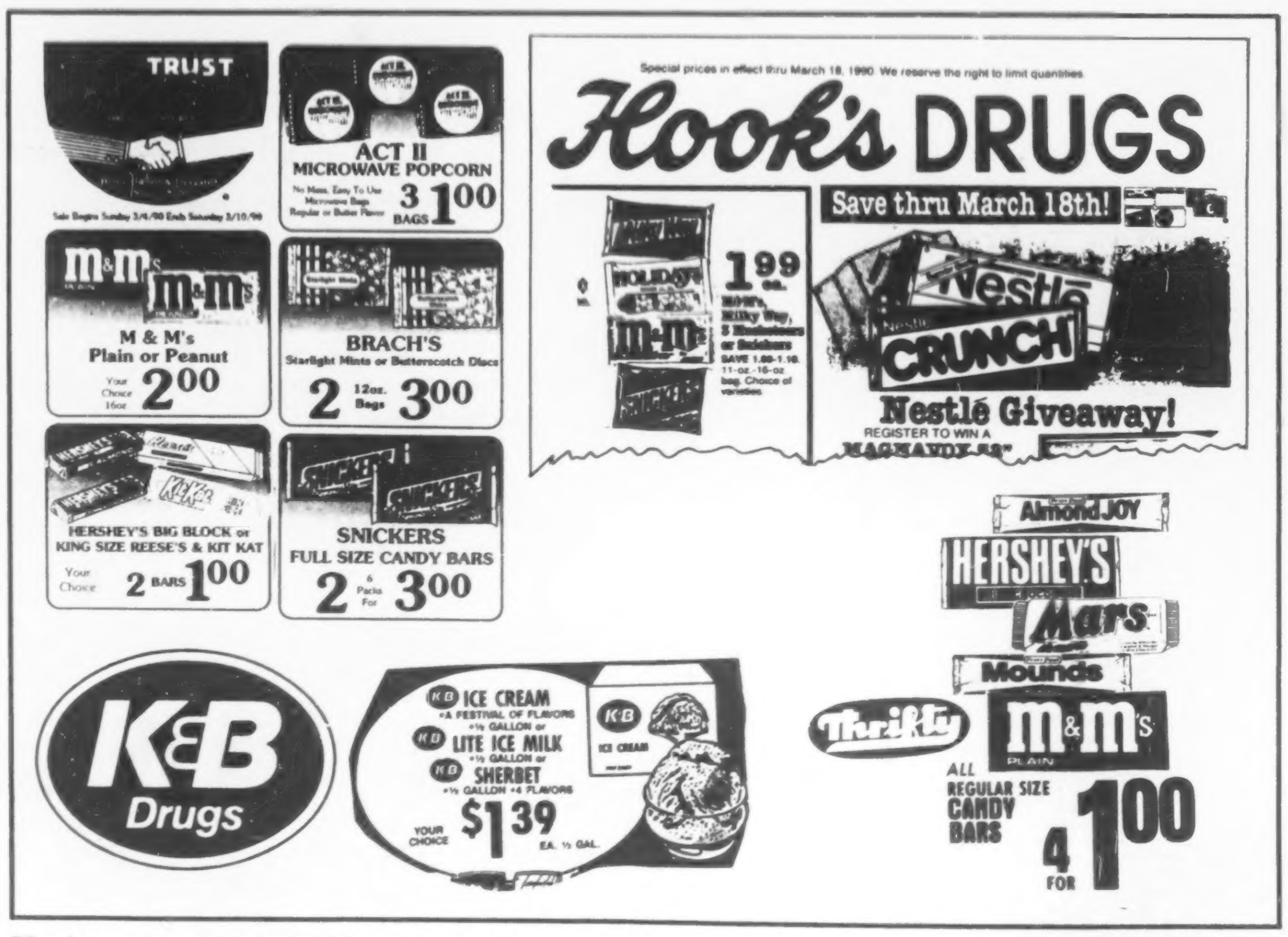
Category	1989 total sales (add 000)	1989 % increase	% of category sales
Bagged	$ 597,685	13.9%	40.7%
Bars	430,936	10.3	29.3
Boxed	286,676	10.7	19.5
Chewing gum	131,495	8.8	8.9
Other	22,588	10.9	1.5
Total	$1,469,380		100.0%

Source: *Drug Store News* 1990 survey of drug chains

1989 candy department highlights in chain drug stores

Chain drug candy sales	$1,469,380,000
1989 percentage increase	11.7%
Percentage of total chain drug sales	3.7%
Typical gross margins	25% - 30%
Industry profit yield from candy last year	$367,345,000 - $440,814,000
Average annual department turns	7.5

Source: *Drug Store News* 1990 survey of drug chains


TRUST
Sale Begins Sunday 3/4/90 Ends Saturday 3/10/90
ACT II
MICROWAVE POPCORN
No Mess, Easy To Use Microwave Bags Regular or Butter Flavor
3 BAGS 1 00
M & M's
Plain or Peanut
Your Choice 16oz
2 00
BRACH'S
Starlight Mints or Butterscotch Discs
2 12oz. Bags 3 00
HERSHEY'S BIG BLOCK or KING SIZE REESE'S & KIT KAT
Your Choice
2 BARS 1 00
SNICKERS
FULL SIZE CANDY BARS
2 6 Packs For 3 00
Special prices in effect thru March 18, 1990. We reserve the right to limit quantities.
Hook's DRUGS
Save thru March 18th!
1 99 ea.
Nestlé
CRUNCH
Nestlé Giveaway!
REGISTER TO WIN A
K&B Drugs
ICE CREAM
•A FESTIVAL OF FLAVORS
•½ GALLON or
LITE ICE MILK
•½ GALLON or
SHERBET
•½ GALLON •4 FLAVORS
YOUR CHOICE $1 39 EA. ½ GAL.
Almond JOY
HERSHEY'S
Mars
Mounds
Thrifty
m&m's
ALL REGULAR SIZE CANDY BARS
4 FOR 1 00

Chains use a variety of eye-catching advertisements to promote candy and snacks.

Chains' consumables sales increase 8.8%

Category benefits from promos & tests with new items and c-food

Having sold groceries for some time now, buyers are more comfortable and receptive to promoting new items.

Chains have discovered that an ideal mix of dry groceries includes juice, cereals and canned soups.

Sales of grocery products in chain drug stores rose 8.8 percent in 1989, thanks largely to increased promotional activity with groceries, and to more experimentation with new items and convenience foods.

Most chains promote at least some grocery items, even if it's just soft drinks, snacks or candies, in every circular. Some chains also use direct mailers for stores with convenience food departments.

Having sold groceries for some time now, buyers are more comfortable and receptive to promoting new items—especially when buyers feel confident that food stores won't be too aggressive with these items.

"We are still selective about the new items we'll promote, but we are more willing to try them. We were one of the first to promote Chef-Boy-Ardee's new microwavable Lunch Buckets, and we did very well with them," said Dennis Wozniak, vp-purchasing for Arbor Drug.

Avoiding head-on competition

Drug chains are also discovering new ways to avoid head-on competition with food stores over the items they promote. Wozniak said Arbor decided to advertise Campbell's soup last year, but it didn't want to feature the flavors that food chains tend to promote, like chicken or tomato soup. So the chain decided to advertise flavors that were less price-sensitive, such as celery soup.

Rite Aid has a different strategy for groceries. It does a high percentage of its business in prescriptions, so traffic is available. What Rite Aid's management wants from groceries is incremental sales.

So, Rite Aid buys top brands on deal or closeouts and then stacks them out in their stores. The business is all in-and-out, but Rite Aid is able to take a good margin, pick up incremental sales from customers already in the store, and pass along a good "value" to its shoppers.

In one recent incidence, Rite Aid made an "opportunistic buy" of Vlasic pickles at a special closeout price. Because it acquired the pickles at an especially low price, it was able to sell them for about 40 cents less than grocery stores were charging. But even at that price, a source said Rite Aid took close to a 20 percent margin.

For small chains like the 10-unit Florida-based Best Buy chain, groceries have proven they can draw traffic and build sales, but the challenge now is to fine tune the program to make it even more profitable.

Best Buy's grocery buyer, Marv Fletcher, says warehousing more consumables will increase his profit margin. "When we warehouse some promotional items like potato chips, we get an extra 5 percent to 10 percent for drop shipping them to the warehouse," he pointed out.

Seasonal promotions

Last year more drug chains did seasonal cross promotions using grocery items. Particularly popular was holiday season pairings of pumpkin pie mixes or canned pumpkin, either with evaporated milk, jars of marshmallow cream, or packages of ready-to-bake pie crusts.

Besides advertising groceries as traffic builders, many drug chains also stock selected groceries everyday as a convenience to customers, as well as a way to create incremental sales and become a destination store for fill-in

Continued on page 100

1989 grocery-snacks-soft drinks-beer-liquor-wine department productivity in chain drug sales

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Liquor/wine	$ 773,209	9.0%	46.6%
Soft drinks	237,927	9.9	14.3
Snacks/cookies/chips	136,366	9.8	8.2
Nuts	134,849	7.3	8.1
Beer	99,298	6.5	6.0
Canned goods/condiments	72,875	7.3	4.4
Dry packaged groceries	66,549	9.0	4.0
Other foods	139,539	8.9	8.4
Total	$1,660,610		100.0%

Source: *Drug Store News* 1990 survey of drug chains

1989 grocery-snacks-soft drinks-beer-liquor-wine department highlights at chain drug stores

Chain drug grocery-beverage sales	$1,660,610,000
1989 percentage increase	8.8%
Percentage of total chain drug sales	4.2%
Typical gross margins	15% - 20%
Industry profit yield from grocery-wine last year	$249,091,500 - $332,122,000
Average annual department turns	5.2

Source: *Drug Store News* 1990 survey of drug chains

Almost all the major drug chains today have cold drink cooler programs in their stores. They generate tremendous impulse and convenience sales.

Promos, testing boost grocery product sales

Continued from page 98

purchases.

Chicago-based Walgreens, for example, has almost 600 stores with convenience food sets, and it's currently installing these departments in about two-thirds of all new stores it opens.

Eckerd, Perry, Snyder, Arbor, SupeRx, Best Buy, Osco, Longs, Thrift and Thrifty also have convenience sets in selected stores where management perceives "opportunities" for incremental sales and enhanced customer service.

Not for all locations

The 350-unit SupeRx chain headquartered in Cincinnati doesn't feel c-food sets work in all locations, but it does think they're appropriate for stores in populated markets without close competition from food stores.

"We constantly experiment with new planograms and we update it to take advantage of changing trends," said Dave Coleman, who supervises the program.

Don Beeler, president of the 62-unit, Minnetonka, Minn.-based Snyder Drug, said his chain began expanding the department two years ago and today it is in eight stores. Beeler says he will open more departments as opportunities develop.

At Arbor, where 25 out of 100 stores have convenience food departments, Wozniak says the department has generated all "plus business" for the chain. Arbor is seeing same-store growth averaging between 10 percent and 15 percent; Wozniak said Arbor will continue to add c-departments to its mix whenever the location warrants it.

Location and traffic are the two most important criteria for selecting a site for a c-food program, buyers said.

Consistent opportunity

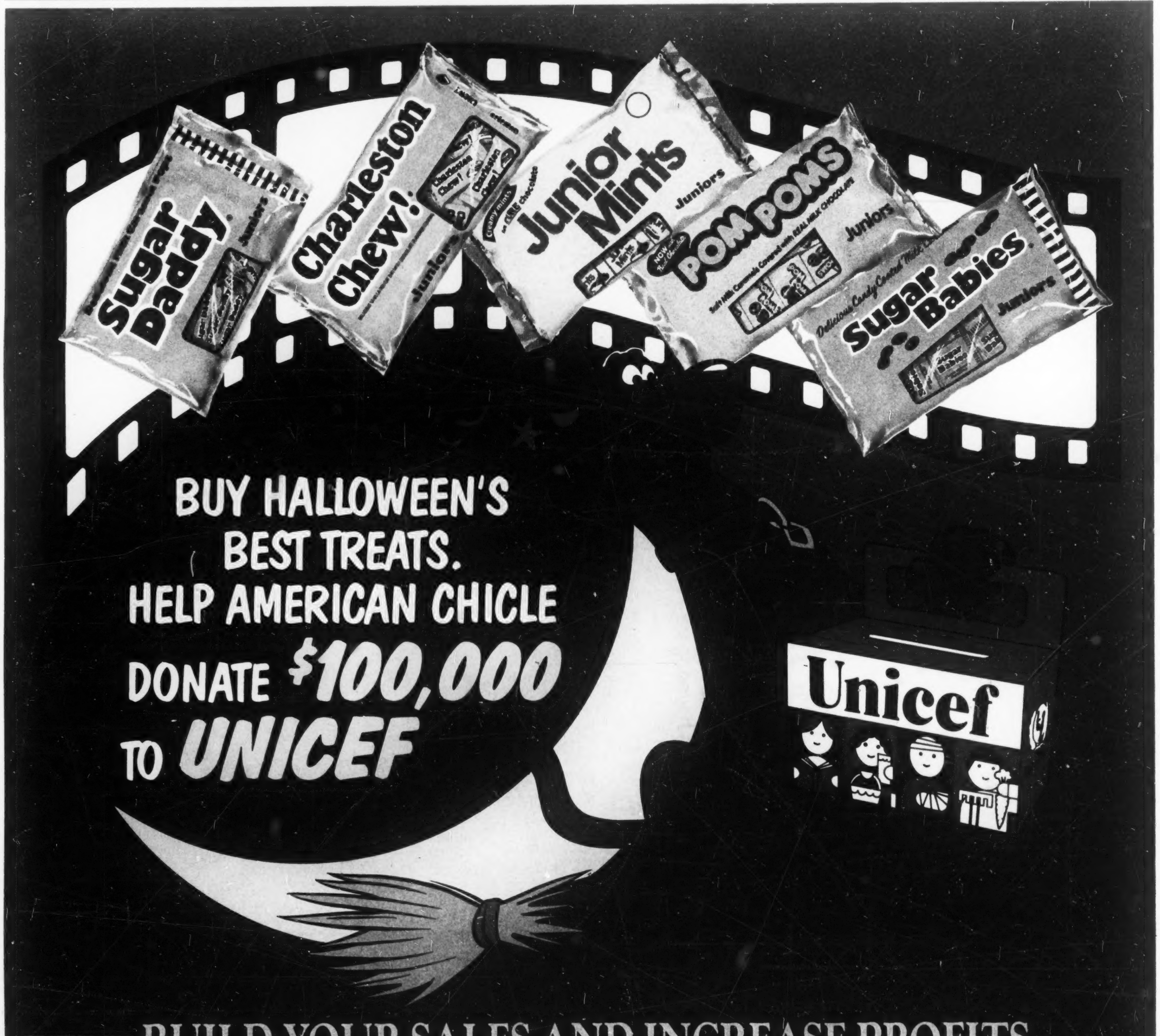
Walgreens, which has the most ambitious program, with some 600 c-food departments open now, has consistently been able to exploit this opportunity dramatically.

Stocking convenience foods gives Walgreens the chance to position itself as "a convenience store as well as a drug store," and it fits in well with its expansion plans, since it often selects sites in high-traffic neighborhoods where competition from food stores is not intense.

In addition to convenience foods, many chains today are also installing coolers so they can have a set for cold beverages as well as luncheon items like cheeses, milk and juices. Margins on single-serve soft drinks and juices are in the 40 percent and above range.

In addition to milk, beer and wine can be found in coolers of the chains that carry it, like Walgreens and K & B. But the best sellers are still the lead-

Continued on page 111



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American Chicle

Promos, c-food testing boost consumables 8.8%

Continued from page 100

ing soft drinks, Coke and Pepsi, as well as juices like Veryfine and Ocean Spray, bottled waters including Perrier and regional brands like Poland Springs and Calistoga, and isotonics like Gatorade.

At Perry Drug in Detroit, beverage buyer Dan Hale says his sales of juices, bottled waters and sparkling waters are "skyrocketing." Perry's growth has been so strong that Hale has now created a new planogram, averaging between 4 feet and 8 feet just for bottled waters.

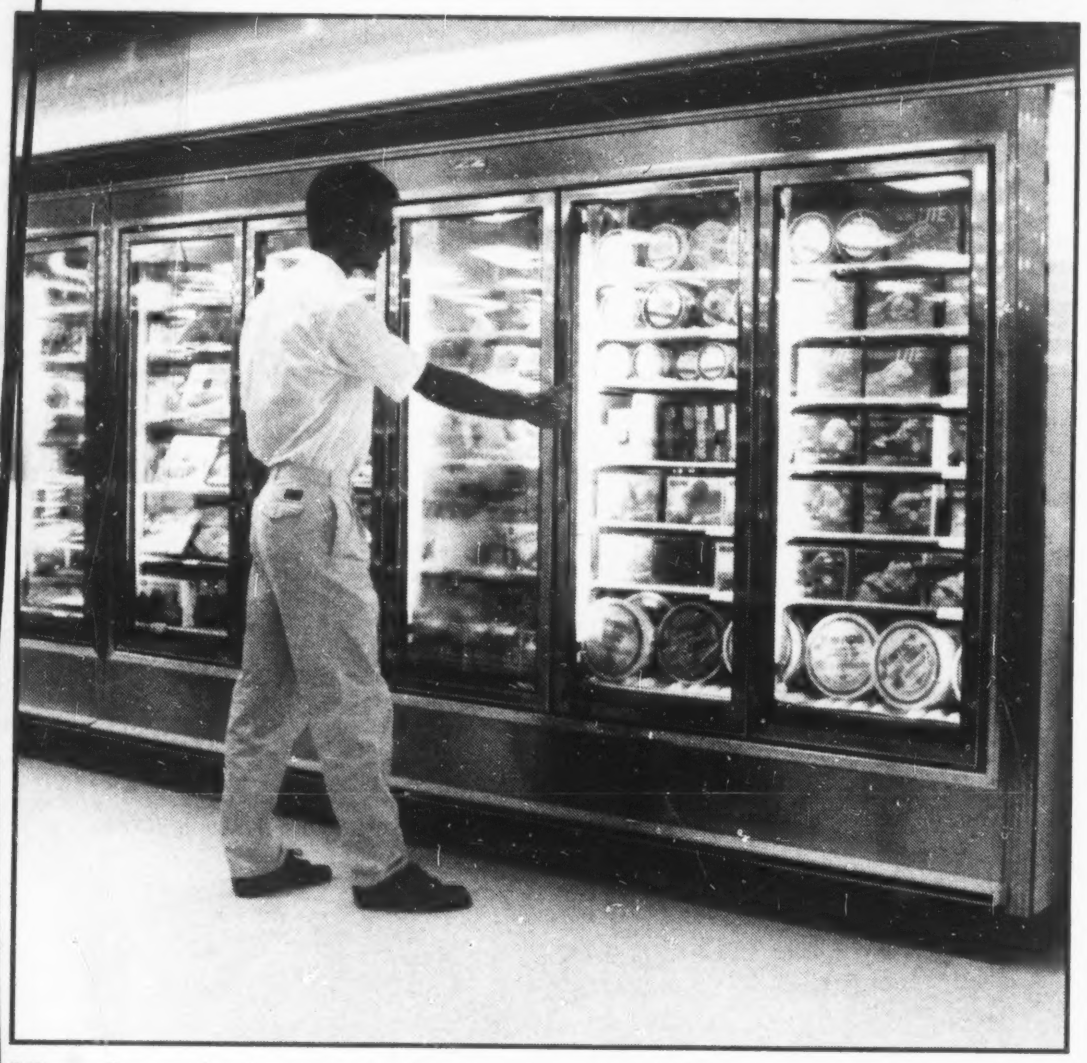
The set, which is next to soft drinks and which contains one or two regional brands as well as the nationals, was rolling out at press time. All Perry stores also have a full set for juices in their coolers as well as a section for warm juices and isotonics in their grocery planogram.

In large stores, especially those on the West Coast, beverages are usually given 100 to 200 feet of linear space. Pay Less in Wilsonville, Ore. is reestablishing a large beverage set. About a year ago, both California-based Sav-on and Longs expanded space for beverages to about 150 linear feet.

Buyers agreed that they make more money on soft drinks and beverages by carrying them every day. When drug chains feature soft drinks, they usually take margins at or close to cost to be competitive. On the everyday assortment, most chains will average 15 percent to 20 percent on soft drinks and between 25 percent to 40 percent on warm juices.

If a chain has a cooler program, its margins on single-serve soft drinks and other beverages usually range from 50 percent to 65 percent.

Drug chains that carry alcohol in selected stores will also promote beer heavily. As a category, alcohol sales have been relatively flat in recent years, but buyers said there are growth segments including California varietals wines like Chardonnay, Zinfandel (both red and white), Cabernets, and premium-brand hard liquors. Buyers also reported that sales of non-alcoholic beers are growing.



More drug chains are trying to attract "fill-in" shoppers by adding traffic building convenience food departments to their stores.

In non-edible groceries, pet food sales showed moderate growth in many stores last year. Chains with the strongest growth advertised the category often or featured it frequently on off-shelf displays.

At Harco Drug in Alabama, vp of merchandising Charles Reinhart pointed out that people buy more pet food than baby food, so Harco advertises it at least twice a month. Most drug chains prefer to feature cat food because it's not as bulky as dog food and buyers believe their customers tend to owns cats more often that dogs.

Deep discount chains like Drug Emporium, F&M and Phar-Mor devote more space to the category and market all types of pet food aggressively.

Rite Aid also uses pet foods, particularly cat food, to establish a good price image as well as to generate add-on sales. Recently Rite Aid picked a large quantity of Kal Kan's Whiskas cat food on deal at a sharp price. It didn't advertise it, but case stacked it in the power aisle leading to the pharmacy.

Priced at three for 89 cents, one source said the cat food flew out of the store, with many customers buying by the case. The source said many stores sold out some 25 cases apiece in about a month.

Household cleaning mix

The household cleaning category is another strong grocery staple that has done very well in chain drug stores. Most chains promote some type of cleaner every month. Again, the convenience factor is paramount.

Food bags and garbage bags are also seen as "convenience items," and they are also advertised regularly.

Fast-turning soft drinks attract convenience-minded shoppers. Two liters and six packs are the strongest sellers in chain drug stores.

At Perry Drug in Detroit, beverage buyer Dan Hale says his sales of juices, bottled waters and sparkling waters are "skyrocketing." Perry's growth has been so strong that Hale has now created a new planogram, averaging between 4 feet and 8 feet just for bottled waters.

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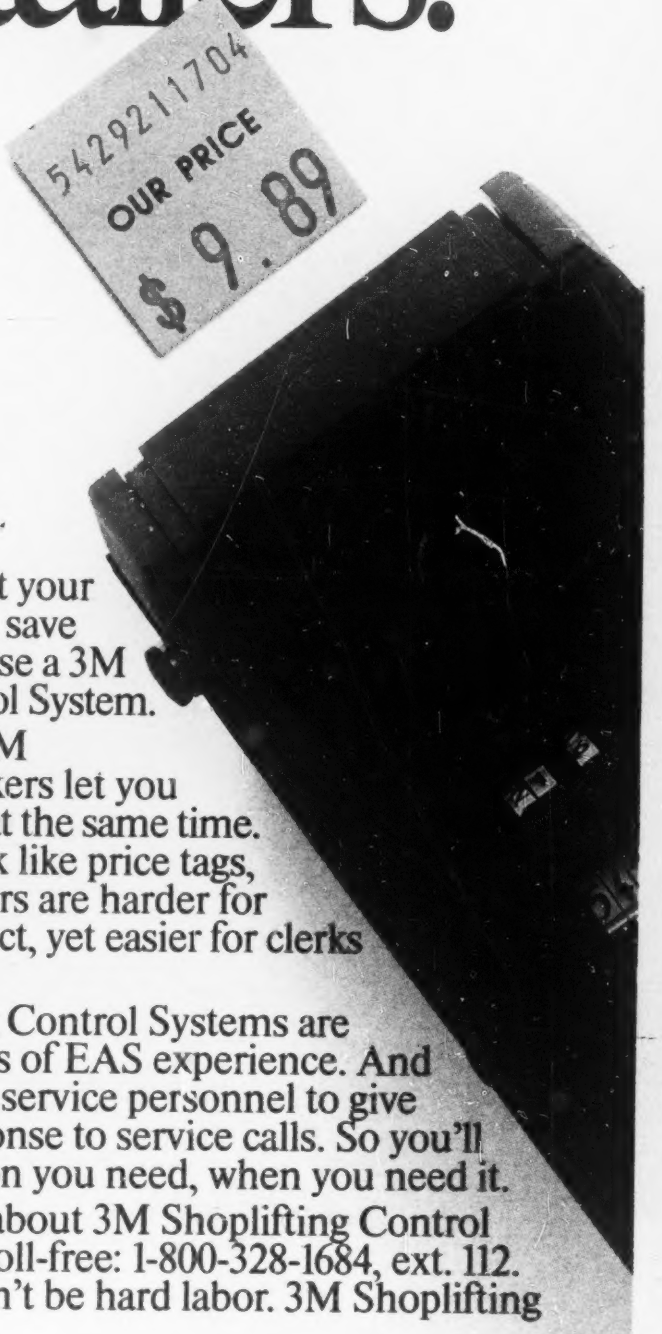

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Single-packs pace chains' tobacco profits

Single-pack sales, with their greater margins, are increasingly important to drug chains. Shown is a Centreville, Va., Fantle's.

CIGARETTE CENTER

Increased market segmentation causes retailers to stock many packings, to satisfy a broad customer base.

Given well-merchandised, secure tobacco displays, drug store operators derive good profits from the category, even in this period of diminished unit consumption. Single packs are accounting for a greater share of sales, chain buyers report, for two reasons: customers who are trying to lessen the amount they smoke buy fewer cigarettes per visit, and carton prices are reaching new high levels.

That is good news for drug chains, since single-pack margins are in the mid-20 percent range compared with 10 percent on cartons.

Overall, tobacco sales rose 4.7 percent to nearly $2.5 billion at drug chains in 1989.

Profits are enhanced, of course, by vendor allowances. New programs which pay for behind-the-counter shelf space are encouraging drug chains to have service tobacco displays. Philip Morris and RJ Reynolds have also developed new fixturing with built-in security systems that add to the impulse nature of the sale and generate higher volumes. Buyers are trying both approaches.

Price-value brands growing

A positive growth trend is the continued extension of price-value cigarettes: black-and-white and branded generics. Packings from Brown & Williamson and American Brands give consumers more smokes for the money and bring retailers higher margins.

Brown & Williamson made the most gains in this segment with a repositioned Viceroy now a branded generic, and with Richland 20s. B&W landed the second-best market share in generics, behind RJR.

Generics have had nothing but blazing growth, accounting for 15.3 percent of the tobacco market, up from 1 percent of units shipped in 1982

Buyers expect the launch of subgenerics, which sell at about half the price of a full-priced brand, to add fuel to the trend. Liggett Group's Pyramid, launched 15 months ago, is in this class, as is Philip Morris' Bristol. In December, B&W repositioned its branded generic, GPC Approved, to what B&W calls an "extra-low-priced" cigarette.

"Right now Pyramid is one of our best sellers. It was a niche in the market that needed to be filled," said Liggett spokesperson Carol Jova.

Protests forced RJR to abandon Uptown, a cigarette that was aimed at black smokers. Its Dakota got off to a rocky start when press accounts reported it would be aimed at blue collar females. That report was false, an RJR spokesperson said, and was based on "stolen documents" that showed "old proposals by outside marketing firms that were rejected."

Dakota—launched last month in Tennesee and Texas test markets—isn't targeted at females, but rather at Marlboro smokers, the spokesperson said. (Marlboro solidified its "King-of-the-Mountain" position in 1989, moving to 26.3 percent market share, compared with 1988's 24.9 percent. RJR's Winston, in comparison, is a distant second with 9 percent).

RJR also is testing a cigarette with a paper that it says "releases a fragrant aroma" when burned.

Philip Morris, meanwhile, was said to be planning to sell its Cartier Vendome cigarretes to credit card holders via home delivery.

Finding market niches has long been the hallmark of tobacco companies, and they are fully expected to have more successes this way. Still, overall unit sales fell more than 5 percent in 1989, and about 12 percent over the past five years.

1989 tobacco department highlights in chain drug stores

Chain drug tobacco sales	$2,476,311,000
1989 percentage increase	4.7%
Percentage of total chain drug sales	6.2%
Typical gross margins	15% - 30%
Industry profit yield from tobacco last year	$371,466,700 - $742,893,300
Average annual department turns	15.3

Source: *Drug Store News* 1990 survey of drug chains

1989 tobacco department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Cigarettes*	$1,685,560	5.6%	68.1%
Cigars	361,718	1.5	14.6
Lighters/smoking accessories	233,548	5.6	9.4
Tobacco/tobacco products	169,217	2.9	6.8
Pipes	26,268	0.2	1.1
Total	$2,476,311		100.0%

*Single-pack sales rose an estimated 7%; carton sales were flatter—a 4% increase.
Source: *Drug Store News* 1990 survey of drug chains

As much as half of last year's drop was due to RJR and Liggett Group phasing out trade loading. Ending this practice reduced vendor shipments to their direct accounts. The end of trade loading may turn out to be a boon for retailers, since it allows for tighter inventory accounting and more attention to retail sell-through.

Drug chains continue to hold their share of the lucrative tobacco market: 8 percent in 1989 compared with 9 percent in 1984. Convenience stores in that same period were the largest gainers, moving from 17 percent to 21 percent. Supermarkets dropped from 30 percent to 28 percent, according to Brown & Williamson.

The disposable lighter market in 1990 will try to fire its flame through licensing and multipack merchandising, market sources said.

Bic, for example, will add major league baseball imprints. Cricket plans to imprint the Cricket symbol. Djeep, fourth in market share after Scripto/Tokai, has a licensing agreement with Anheuser-Busch and will launch imprints in 1990, according to marketing manager Ken Zick. Distributed by General Cigar, the French-made Djeep lighters are typically premium-priced at $1.49 and feature positive flame control and triple-tank resevoirs.

Drug stores' housewares niche still the basics

1989 housewares department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Plastic and rubber housewares	$ 530,496	8.3%	22.0%
Personal care	274,854	7.4	11.4
Household supplies	289,175	8.6	12.0
Small electrics	218,529	6.6	9.1
Glass/dishware/cookware	197,890	4.4	8.2
Paper products	187,664	9.8	7.8
House and kitchen gadgets	136,087	7.3	5.6
Lighting products	117,103	7.9	4.9
Picture frames/mirrors	79,883	7.4	3.3
Insecticides	72,042	6.2	3.0
Furniture/outdoor furniture	58,536	4.3	2.4
Plant/plant care	54,813	7.1	2.3
Bath/closet	43,381	4.8	1.8
Giftware	28,473	3.8	1.2
Vaporizers/humidifiers	25,373	9.2	1.1
Miscellaneous	97,014	7.2	4.0
Total	$2,411,312		100.0%

Source: *Drug Store News* 1990 survey of drug chains

Amid the glamour and gadgetry of the latest International Housewares Exposition, drug chain buyers generally homed in on basic merchandise, promotable items, and fashion colors and styles rather than high-tech or high-end items for their housewares departments.

That's because most drug chains see housewares as a steady, no-frills business. The industry is dominated by discount stores, which in 1988 accounted for 27.5 percent of the $35 billion (manufacturer sales value) housewares market, versus drug stores' 4.4 percent share, according to the National Housewares Manufacturers Association (NHMA). The trade group's 1989 figures aren't out yet.

$2.4B in sales

For 1989, the housewares category, in which *Drug Store News* included 16 segments, garnered $2.4 billion in sales at drug chains.

Although chains may differ on what they classify as part of the housewares category, certain segments stand out as areas of opportunity, however they're classified.

Health-oriented personal care products, for instance, are a hot segment for drug chains. This is because items such as whirlpools, massage devices, dental care appliances, and air and water filter systems dovetail nicely with their health care image and provide higher price points.

Sales for the personal care segment as a whole, including hair dryers and other grooming products as well as such health-oriented items, increased 7.4 percent over last year and represented 11.4 percent of total housewares category sales, according to *Drug Store News* research. Vaporizers and humidifiers, broken out separately, gained 9.2 percent in sales for 1989 over the previous year.

Consumers' need for organization cuts across several drug store categories—stationery/home office and cosmetics come to mind—and organizers of all kinds are a fast-growing segment of drug chains' housewares departments. Especially popular are organizers for the closet and kitchen, but organizers for the bath and basement are also strong.

One chain buyer speculated that because consumers must invest so much in a home today, they are looking for less expensive ways to organize their closets and kitchens than spending big bucks on custom-built storage systems. Another explanation might simply be that today's affluent, acquisitive shoppers need someplace to stow away what they buy, and boxes, bags, shelving, and the like offer working couples a quick fix to space problems.

Whatever the reason, the demand is burgeoning for such kitchen items as lazy susans and plate and cup organizers, and closet accessories ranging from under-$100 metal organizers to cardboard or plastic storage boxes to sweater and suit bags.

Rite Aid's general merchandise buyer, Mark Blandford, pointed out that underbed storage boxes and "milk crates" also are excellent items to promote at Back-to-School time. (Rite Aid, which is pulling out of the video rental business, plans to use part of the freed-up space in some stores to expand its housewares selection. Depending on store size, the chain's housewares departments could increase 50 percent in size in some stores.)

At the housewares show, held in Chicago in January, several buyers looked to the latest colors and patterns in storage boxes, such as neon and black-and-white colors and floral and geometric designs, as a means of adding pizzazz to their housewares presentation. But some said they would stay with more traditional patterns and colors, having experienced short-lived demand for trendier designs.

Moreover, as more states and communities mandate recycling programs, manufacturers are coming out with container lines designed to sort recyclable cans, glass, newspapers, and plastics.

In housewares, buyers rate plastic and rubber housewares—from refrigerator bowls to dishpans—as one of their best day-in, day-out segments, providing high turns and good margins. Buyers said the new fashion colors, such as black-and-white and red, help increase sales here.

Sales leaders

"Rubbermaid is a leader in innovation and long-term fashion," said merchandise manager Andy Striefel of Pay Less NW, whose large (up to 31,000 square feet) stores house extensive housewares departments. "But for excitement, small companies such as Frem, with its new fashion colors, create incremental sales."

Striefel added that in housewares generally, "The trend is definitely to upscale products. Consumers are more demanding; they want better quality and unique products—for example, gadgets such as slicers and whips. Quality has become a call word everywhere. The consumer is willing to pay more for something that will last."

One impetus, he suggested, is that specialty stores which have sprung up in the past few years have raised consumers' expectations for upscale and unique products, and they now expect drug chains such as Pay Less to have similar items. "We see it as an opportunity," Striefel said.

Cleaning products strong

In household supplies, which as a segment grew 8.6 percent in 1989 over 1988, household cleaning products are top draws. Chains surveyed by *Drug Store News* at the end of 1989 looked to cleaning supplies as one of the 10 hottest segments for 1990. Chains reported taking advantage of pre-pricing, advertising, and new products (160 introductions in 1989, according to the Marketing Intelligence Service) to fuel sales.

While many chains promote housewares regularly, some of their most aggressive promotions and merchandising tactics are concentrated on lighting and paper products, and these efforts have paid off in increased productivity. Lighting product sales for 1989 grew 7.9 percent over the previous year, and paper products generated a 9.8 percent increase in sales, 1989 versus 1988.

Rodman's Discount Drugs in Washington, D.C., offers a wide selection of small appliances. The segment gained 6.6 percent in sales at drug chains in 1989.

1989 housewares department highlights in chain drug stores

Chain drug housewares sales	$2,411,312,000
1989 percentage increase	7.4%
Percentage of total chain drug sales	6.0%
Typical gross margins	35% - 45%
Industry profit yield from housewares last year	$843,959,200 - $1,085,090,000
Average annual department turns	3.0

Source: *Drug Store News* 1990 survey of drug chains

Chains play off of Nintendo, Turtle mania

Segment offers customer convenience, builds loyalties

Chain loyalty in the making: impressive toy aisle captivates preschooler at Pay Less' new Clackamas, Ore., store.

Drug chains that relied on the ongoing success of Nintendo and the fast-growing popularity of Playmates' Teenage Mutant Ninja Turtles were comparatively big winners in the toy category in 1989.

These phenomena, driven by television advertising and unique playing propositions, brought profits to drug chains—especially those who don't compete directly with mega-discount and toy stores.

Overall, toys grew 5.9 percent to $846 million in chain drug stores last year, yielding 35 to 40 percent margins. Toys are valuable to drug chains, in developing loyalties among young toy-using shoppers and in meeting the convenience needs of young families.

Nintendo and the Turtles copped four of the top five movement slots in December, the peak of the Christmas selling season, and seven of the top 20 slots in *Toy & Hobby World's* Toy Hit Parade. No board games appeared in this list, compared with a few years ago when several scored high.

Although perceived by some drug chains as too heavy an investment, the Nintendo control deck at $100 retail blew out at one Northeastern chain. Drug store merchants who committed to Nintendo generally sold cartridges at $35 to $55.

For all the excitement of new items and flashy advertisements, basic toys remain the backbone of the department and are often among the top industry sellers.

Buyers called the Turtle action figures the strongest license since the mid-'80s, sustaining swift movement year-round.

According to the *Drug Store News* General Merchandise Survey in mid-1989, drug store operators ranked toys in the top five of all general merchandise categories for the introduction of exciting products; it ranked behind seasonal, greeting cards, personal care and school supplies.

Basic backbone

For all the excitement of new items and flashy advertisements, basic toys remain the backbone of the department and are often among the top industry sellers.

Mattel's Barbie, at No. 2, and Hasbro's G.I. Joe, at No. 11, once again showed their endurance on the *Toy & Hobby World* list.

Toys that scored high for the second year in a row: Kenner's Real Ghostbusters action figures and role-playing accessories (9), and Fisher-Price's Fun With Food (14).

The basics, pegged toys at under $5 and board games, are other steady performers. Peggables serviced by such firms as Imperial, Jak-Pak, Ja Ru and Larami provide day-in and day-out business, attracting the family shopping coveted by drug store operators and offering last-minute gift choices. Board games, Barbie dolls and accessories, and pre-school toys such as Little Tykes, Sesame Street, Disney and Fisher-Price were strongest.

Pay Less and Sav-on were among chains with strong displays of boxed plastic models, by such vendors as Revell, Lindberg and Model Specialty.

1989 toy department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Games	$167,154	8.5%	19.8%
Pegged toys	122,003	4.3	14.4
Cars	113,134	5.3	13.4
Boxed toys	101,402	4.1	12.0
Preschool	83,582	8.3	9.9
Dolls	61,937	5.3	7.3
Plush	60,837	1.3	7.2
Hobbies	44,026	4.8	5.2
Miscellaneous/seasonal	92,050	8.3	10.9
Total	$846,124		100.0%

Source: *Drug Store News* 1990 survey of drug store chains

A high-profile plush statement, using popular dinosaur and bear motifs, at a Phoenix SupeRx.

1989 toy department highlights in chain drug stores

Chain drug toy sales	$846,124,000
1989 percentage increase	5.9%
Percentage of total chain drug sales	2.1%
Typical gross margins	35% - 40%
Industry profit yield from toys last year	$296,143,400 - $338,449,600
Average annual department turns	4.0

Source: *Drug Store News* 1990 survey of drug chains

HOSIERY
23
PANTY HOSE
1.79
1.79
1.79

As the most important general merchandise category, retailers give hosiery high-profile positions, such as this spot near the front door in a Chicago Walgreens.

1989 general merchandise department productivity in chain drug stores

Category	1989 total sales (add 000)	1989 % increase	% of category sales
Pantyhose/soft goods	$ 284,730	13.0%	14.6%
Sunglasses	262,827	14.4	13.4
Batteries	230,540	11.9	11.8
Hardware	195,127	7.8	10.0
Pet needs	194,261	9.3	9.9
Automotive	188,996	6.8	9.7
Sporting goods	156,597	8.9	8.0
Watches/bands	128,383	6.8	6.6
Home electronics	124,158	7.3	6.3
Yarn/sewing notions	80,990	2.8	4.1
All others	108,835	10.7	5.6
Total	$1,955,444		100.0%

Source: *Drug Store News* 1990 survey of drug chains

General merchandise rises 9.8% to $1.96B

1989 general merchandise department highlights in chain drug stores

Chain drug general merchandise sales	$1,955,444,000
1989 percentage increase	9.8%
Percentage of total chain drug sales	4.9%
Typical gross margins	35% - 45%
Industry profit yield from general merchandise last year	$684,405,400 - $879,949,800
Average annual department turns	5.0

Source: *Drug Store News* 1990 survey of drug chains

For all the talk about drug chains reemphasizing health care, that shouldn't be interpreted as an abandonment of general merchandise. Far from it. Indeed, batteries, sunglasses and hosiery ranked among the strongest growing categories at drug chains in 1989.

The three segments, which together account for 40 percent of the general merchandise department, leaped ahead in the double digits. In large part, they are frequently replenished items that sell well in drug stores, which are perceived as outlets of convenience.

Their success is also driven by merchandising advances, such as cross-promotions, space-efficient packaging and displayers, that are well accepted by retailers and consumers.

Overall, general merchandise grew 9.8 percent at drug chains in 1989 to $1.96 billion, equal to 4.9 percent of total chain volume. Retailers generally take 35 to 45 percent margins on goods from this department.

Batteries

Heading into the year, retailers anticipated charged-up performance from batteries; they voted the category one of the 10 hottest for the second straight year, also cited it as a key checkstand item, and again as a strong performer in *Drug Store News*'s mid-1989 General Merchandise Survey.

Indeed, batteries grew 11.9 percent at drug chains to $230.5 million, as the number of battery-powered devices continues to proliferate. Toys and portable audio devices, for example, are estimated to account for more than 60 percent of battery sales.

In the GM Survey, batteries were named as fourth best in vendor support and space efficiency, and fifth best in gross margin and chain promotions.

Eveready and Duracell were the most preferred by consumers, according to *Drug Store News*' Consumer Brand Preference Study, published in December. Retailers praised both vendors' television ads for memorability and for effectively driving home the concept of longevity.

In matters of space efficiency, Ray-O-Vac gained drug store space with its Smart Pac configuration for checkstands; Eveready introduced its Space Pack and Family Pack shrinked-wrapped packages with bold graphics and high product density in displays.

Panasonic also gained distribution.

The advent of new fast-acting charger systems for rechargeables promised to stimulate new interest. General Electric and Eveready introduced fast-acting one-hour chargers, which are said to be considerable improvements over previous seven-to-16-hour systems. Their movement will depend on whether consumers perceive ample value, considering the higher prices.

Hosiery

In the GM Survey, retailers ranked hosiery as the most important general merchandise category they sell. The high-profile in-store positions they give the category are testimony to that feeling. L'eggs, No Nonsense, Hanes and Burlington reinforced their positions as brands promoted heavily by vendors and retailers.

Store managers made specific positive mentions of L'egg's Pantyhose Advisory, an interactive shelf computer.

Watches

Drug chains benefitted from women, who buy 65 percent of watches, shifting to more, lower-cost models as fashion accessories. Sales of under-$50 items drove 7 percent segment growth the past year.

Brand staples at drug chains: Timex, Casio, Armitron, Lorus and Sharp International, according to buyers, who seek a broad range of affordable styles and healthy margins.

Moreover, new styles and licenses help keep watches interesting. Strong lately: Little Mermaid, Ninja Turtles and Dick Tracy. Large face watches, a Russian-styled watch, and sports models endorsed by professional athletes were prominent, as chains assured sales with regular promotions.

Sunglasses

Sunglasses advanced 14.4 percent to $263 million at drug chains in 1989. More drug chains are playing them up as an easily obtained fashion accessory by displaying spinners near cosmetics, or else grouped by the front end, to increase impulse purchases.

The Food and Drug Administration has endorsed a voluntary program put forth by the Sunglass Association of America, a manufacturer trade group, to label sunglasses according to the degree of ultraviolet protection provided. As protection becomes a more significant issue, drug chains stand to gain share because of their health care image and the ability of pharmacists to answer questions.

Do-it-yourself sales grow*

(In billions of dollars)

	Consumer	Contractor	Total
1988(E)	$66.1	$35.5	$101.7
1987	62.0	31.5	93.5
1986	57.9	30.0	87.9
1985	53.8	26.4	80.2
1984	51.6	22.4	73.9
1983	46.2	16.2	62.4

*Exclusive of labor and new construction costs
E—Estimated
Source: Home Improvement Research Institute

EVERYDAY
SUNGLASSES 50% OFF,
GOODY HAIR CAR
COVER GIRL 35% OFF
HOSIERY 30% OFF

Discounts on hosiery and sunglasses general merchandise categories are prominently displayed on signage drawing customers into a Memphis, Tenn. Ike's.

Sunglass sales hit new high

(unit sales in U.S. in millions)

1989	200*
1988	180
1987	189
1986	175
1985	160

*—Estimated
Source: Sunglass Association of America

Rite Aid reports gains in sales and net income

SHIREMANSTOWN, Pa. — Rite Aid Corp. reported increases in sales and net income for fiscal 1990, a year in which it completed the installation of pharmacy and front-end data capture systems, closed its video departments and sold its interest in Super Rite Foods.

Sales advanced 10.6 percent, to $3.2 billion, for the 52-week fiscal year ended March 3, compared with $2.9 billion for the 53-week previous year. Same-store sales for core Rite Aid units increased 7.7 percent for the year. The company had a net gain of 168 stores for the year.

Fiscal 1990 net income gained 7.2 percent, to $102.1 million, or $2.46 per share, from $95.2 million, or $2.30 per share, for fiscal 1989. Included in net income was an $18.4 million after-tax gain from the third-quarter sale of the company's 46.8 percent interest in Super Rite Foods.

Excluding a one-time write-off in the third quarter for the elimination of video rental departments, income from continuing operations for the year increased 3.5 percent over the previous year, to $95.3 million. After the $22 million pretax charge to provide for the video department closings, income from continuing operations dropped to $81.9 million from the year-earlier $92.1 million.

For the 13-week fourth quarter, sales were $857.6 million, up 4.7 percent from $819.2 million for the 14-week year-ago period. Comparable-store sales for the quarter grew 7.5 percent at core stores and 4.25 percent at acquired stores.

Fourth-quarter net income was $35 million, compared with $36.1 million for the prior-year period.

American team firming, store sales being eyed

Continued from page 3

with the 675-store company. Scott has been replaced by former regional vp Dave Maher, as reported earlier.

Another recent departure was that of Dominic Cavallo, who served up until his resignation as senior vp-marketing operations. Cavallo has not been replaced, and sources inside the company were uncertain as to whether his post would be filled.

In another management change, Alan Barker, who left American Drug late last year, has been replaced as vp-administration and chief counsel by Tom Walter.

A number of other senior executives—including the last of those who were brought in by Scott during his tenure—were not part of the exodus of recent months. Among those who remain are Ron Grove, senior vp-merchandising/distribution; Robert Baird, senior vp-store operations; Craig Painter, vp-strategic planning and development; Dale Bystrom, vp-marketing; John Dvorak, vp-merchandising; and Arlyn White, vp-distribution.

Meanwhile, American Drug and its parent company, American Stores, continue to scrutinize underperforming stores throughout the country for their future viability. The company says unprofitable or unsupportable stores or store networks may be put on the selling block, much like last year's sale of more than 40 supermarkets and drug stores in various American Stores markets.

Just how many stores may be targeted for sale or closing is open to question. American Stores is downplaying the significance of the sale plans, but retail analyst John Kosecoff of First Manhattan Co. predicted in a report that as many as 200 Sav-on and Osco drug stores may be put up for sale, particularly in Western states.

"We believe these properties could be attractive purchases, as a whole or in part, to K mart's Pay Less [Drug Stores NW] drug chain, Pacific Enterprise's Thrifty drug stores, Longs, and Abco supermarkets, as well as to financial buyers," Kosecoff reported in late March. "Some stores may be reused by American as Lucky or Alpha Beta food stores."

Proceeds from the store sales could help cut American Stores' $3.6 billion of debt, much of which stems from its 1988 buyout of Lucky Stores on the West Coast.

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Vol. 12, No. 8 Apr. 30, 1990

MARKET DIARY:

Largest Dollar Gainer	Am. Stores, Gt Atl&Pac Tea	$ 4.63
Largest Dollar Loser	Longs Drug Stores	$− 2.75
Largest Percentage Gainer	Mylan Labs	16.25%
Largest Percentage Loser	Par Pharmaceutical	− 9.43%

Advances	34
Declines	18
Unchanged	3
New highs	5
New lows	4

	Close 3/27/90	Close 4/11/90	Net Change	Percent Change
Drug Store News Index	2777.03	2857.01	79.98	2.88
Dow Jones Industrial Average	2736.94	2729.73	− 7.21	−0.26
Standard & Poor's 500-Stock Index	341.50	341.92	0.42	0.12
N.Y.S.E. Composite	187.40	187.57	0.17	0.09
Value Line Index	245.08	241.62	− 3.46	−1.41

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 3/27/90	Closing Price 4/11/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	17.75	18.75	1.00	5.63	17	0.16	0.85	24.75	13.50
OTC	Big B	BIGB	11.13	10.88	−0.25	− 2.25	22	0.16	1.47	15.25	10.63
OTC	Drug Emporium	DEMP	7.50	7.25	−0.25	− 3.33	11	0.20	2.76	16.38	6.88
NYS	Fay's Inc.	FAY	8.13	8.75	0.63	7.69	13	0.20	2.29	15.00	7.75
ASE	Genovese Drug (L)	GDX.A	8.25	8.50	0.25	3.03	20	0.24	2.82	12.88	7.50
OTC	Leroy Pharmacies	LERY	5.13	5.00	−0.13	− 2.44	− 83	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	42.50	39.75	−2.75	− 6.47	13	0.96	2.42	48.50	35.25
OTC	Medicine Shoppe (H)	MSII	21.25	23.13	1.88	8.82	24	0.16	0.69	23.75	17.38
NYS	Perry Drug	PDS	8.63	7.88	−0.75	− 8.70	14	0.00	0.00	12.88	7.38
NYS	Rite Aid Corp.	RAD	31.13	33.75	2.63	8.43	17	0.88	2.61	41.13	29.50
NYS	Walgreen Co.	WAG	42.63	43.13	0.50	1.17	17	0.80	1.86	50.25	37.25
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	24.75	25.50	0.75	3.03	15	0.32	1.25	27.25	20.50
OTC	Bindley Western Ind.	BIND	9.75	9.50	−0.25	− 2.56	19	0.00	0.00	10.75	7.63
OTC	Cardinal Distribution	CDIC	22.00	23.50	1.50	6.82	18	0.08	0.34	25.00	15.50
OTC	Durr-Fillauer (H)	DUFM	23.00	24.25	1.25	5.43	16	0.24	0.99	25.88	18.50
ASE	Ketchum	KCH	2.13	2.13	0.00	0.00	− 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	37.88	36.88	−1.00	− 2.64	15	1.44	3.91	39.75	31.75
ASE	Moore Medical (L)	MMD	6.63	7.25	0.63	9.43	− 9	0.00	0.00	15.13	6.00
NYS	Owens & Minor	OMI	11.38	11.50	0.13	1.10	38	0.24	2.09	14.00	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	64.88	69.25	4.38	6.74	17	1.68	2.43	70.38	53.63
NYS	American Home Products	AHP	100.75	103.50	2.75	2.73	14	4.28	4.14	110.25	87.63
NYS	Baxter International	BAX	24.38	22.63	−1.75	− 7.18	15	0.64	2.83	26.25	18.63
OTC	Block Drugs Co.	BLOCA	33.50	35.00	1.50	4.48	14	0.68	1.94	38.00	31.63
ASE	Bolar Pharmaceutical	BLR	8.13	9.13	1.00	12.31	5	0.16	1.75	32.25	3.50
NYS	Bristol-Myers Squibb	BMY	53.50	54.88	1.38	2.57	39	2.12	3.86	58.25	46.38
NYS	Carter-Wallace	CAR	50.38	52.00	1.63	3.23	16	0.80	1.54	60.50	40.50
ASE	Columbia Labs	COB	13.13	13.75	0.63	4.76	− 25	0.00	0.00	19.63	4.38
ASE	Forest Labs	FRX	39.63	38.50	−1.13	− 2.84	28	0.00	0.00	44.50	28.63
NYS	ICN Pharmaceutical (L)	ICN	3.63	3.38	−0.25	− 6.90	0	0.00	0.00	6.88	3.38
ASE	Lee Pharmaceutical (L)	LPH	1.88	1.75	−0.13	− 6.67	− 8	0.00	0.00	4.75	1.63
ASE	P. Leiner Nutrition	PLI	10.50	10.38	−0.13	− 1.19	16	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	64.88	67.63	2.75	4.24	21	1.64	2.43	69.25	52.00
NYS	Marion Labs	MKC	21.88	24.63	2.75	12.57	103	0.60	2.44	36.63	21.00
NYS	Merck Co.	MRK	71.38	73.88	2.50	3.50	20	1.80	2.44	80.75	66.00
NYS	Mylan Labs	MYL	20.00	23.25	3.25	16.25	42	0.20	0.86	25.38	8.13
NYS	Par Pharmaceutical	PRX	6.63	6.00	−0.63	− 9.43	300	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	60.13	58.00	−2.13	− 3.53	14	2.40	4.14	75.75	54.50
NYS	Rorer Group (H)	ROR	67.88	68.88	1.00	1.47	26	0.84	1.22	69.25	36.13
NYS	Schering Plough	SGP	80.25	83.00	2.75	3.43	20	1.80	2.17	87.50	63.38
NYS	Syntex Corp.	SYN	50.63	52.13	1.50	2.96	19	1.48	2.84	54.50	40.00
OTC	Taro-Vit Industries	TAROF	0.88	0.88	0.00	0.00	− 29	0.00	0.00	1.88	0.88
NYS	Upjohn Co.	UPJ	38.88	37.88	−1.00	− 2.57	40	1.00	2.64	42.13	28.88
NYS	Warner-Lambert	WLA	105.00	108.75	3.75	3.57	18	3.04	2.80	118.75	84.75
OTC	Zenith Labs	ZENL	5.25	5.25	0.00	0.00	—	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	55.50	59.13	3.63	6.53	20	0.96	1.62	60.25	42.00
NYS	American Stores	ASC	61.25	65.88	4.63	7.55	19	1.12	1.70	72.50	51.38
NYS	Giant Food	GFS.A	27.00	28.13	1.13	4.17	16	0.48	1.71	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	53.00	57.63	4.63	8.73	0	0.00	0.00	65.38	48.25
NYS	K mart	KM	34.75	34.25	−0.50	− 1.44	21	1.64	4.79	44.88	32.13
NYS	Kroger	KR	13.13	12.50	−0.63	− 4.76	− 54	0.00	0.00	19.75	10.63
NYS	Melville Corp.	MES	48.38	49.13	0.75	1.55	14	1.40	2.85	53.63	39.50
OTC	Fred Meyer	MEYR	14.00	14.63	0.63	4.46	9	0.00	0.00	23.00	13.00
NYS	Penney, JC	JCP	68.75	68.25	−0.50	− 0.73	11	2.64	3.87	75.63	53.13
NYS	Smith's Food & Drug (H)	SFD	27.38	28.63	1.25	4.57	24	0.28	0.98	28.63	20.50
NYS	Wal-Mart (H)	WMT	47.25	50.00	2.75	5.82	26	0.28	0.56	50.00	34.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

CS150-2

DRUG STORE NEWS®

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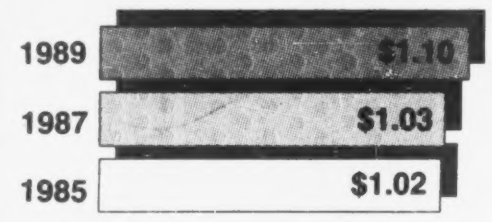
TOP OF WEEK FEATURES

Incandescent bulb sales burn brightly

(Total U.S. retail dollars in billions)



Source: National Electronic Manufacturers Association

Turning on specialty bulb sales

Drug chains mix sales of high-volume standard bulbs with specialty items to boost margins. Trends, page 19.

Drug Emporium eyes Empire State

The deep discounter scouts Long Island sites for its first corporate-owned stores in New York. Page 3.

LATE NEWS

- **TWINSBURG, Ohio — A plan of reorganization for Revco's Odd Lot Parent, Inc., subsidiary was confirmed April 24 in U.S. Bankruptcy Court, allowing for payment of Odd Lot's creditors. In a related development, General Computer Corp. reached a proposed settlement of claims between GCC and Revco, subject to court approval.**
- **WASHINGTON — In a decision which has major antitrust implications for the future of retail mergers, the U.S. Supreme Court ruled 9-0 that California can proceed with efforts to halt the merger of American Stores' Alpha Beta and Lucky store divisions. In effect, the decision gives states and consumers the power to use federal antitrust laws and federal courts to challenge business mergers.**
- **CLEVELAND — A trial date of July 2 has been set for opening arguments and jury selection in the Ohio bribery case involving Rite Aid and its president, Martin Grass. Grass is accused of trying to bribe an Ohio State Pharmacy Board member in order to vacate his seat. Grass has denied any wrongdoing.**

Reliable set to buy 221 Revcos

By Susan Ball

INDIANAPOLIS — Reliable Holding Corp. has entered into an agreement with Revco D.S. to purchase 221 Revco drug stores in eight Midwestern states, which will almost triple Reliable Drug's store count and move it into the top 20 drug chains in sales volume.

Once the deal is completed, Reliable, which currently operates 112 stores in Indiana, Illinois, Iowa and Kentucky, will have an enhanced presence in those states plus penetration into four more—Michigan, western Tennessee, Kansas and Missouri—for a total of 333 stores. The combined operations are expected to generate annual sales in excess of $500 million.

The agreement represents the first major step in Revco's plan, announced Jan. 26, to divest 712 of its stores in 17 states, with the 221-store package comprising almost one-third of that group.

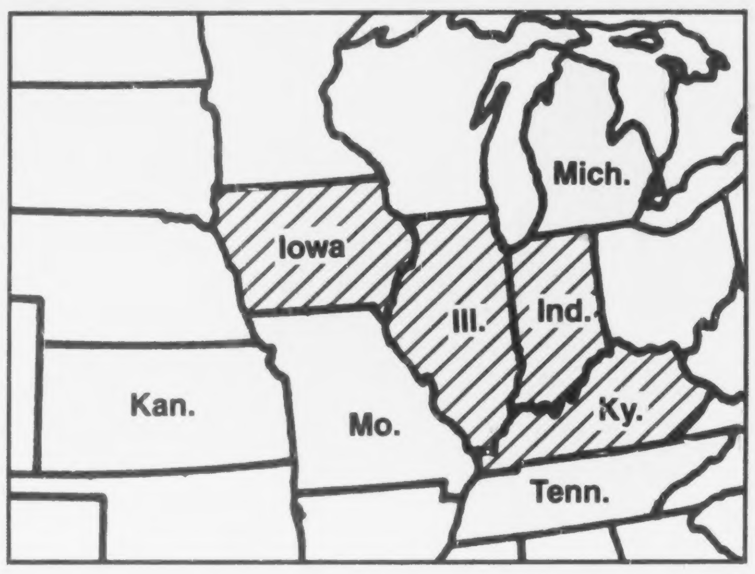
Roger Grass, Reliable's president and ceo, who formed the chain last August with Charles Conaway,

See **Reliable,** *page 25*

Reliable triples Midwest presence

▨ Reliable's existing states of operation
☐ Reliable's expanded territory after Revco deal is concluded

	Reliable	Revco	Total for Reliable
Indiana	85	27	112
Illinois	12	16	28
Iowa	11	12	23
Kentucky	4	28	32
Western Tenn.	0	34	34
Kansas	0	31	31
Michigan	0	40	40
Missouri	0	33	33
Total	112	221	333



Source: Reliable Drugs

Eils calls for action as his NACDS reign begins

By Al Heller

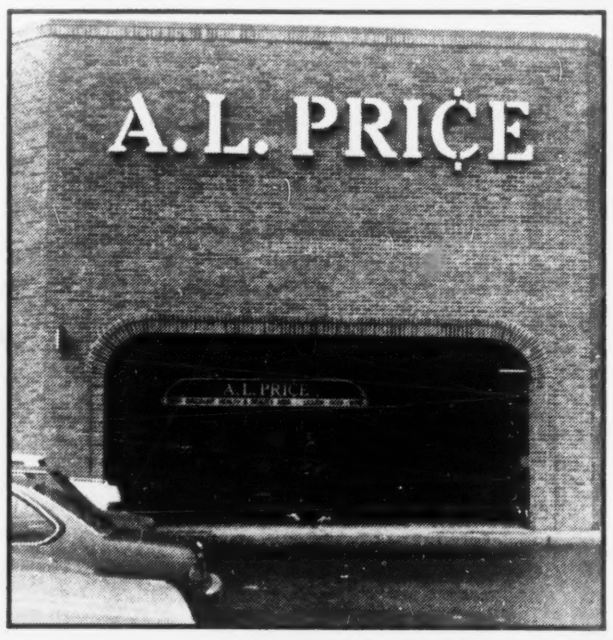
PALM BEACH, Fla. — Calling for a grass-roots mobilization of drug chains to face the challenges of the '90s, Richard G. Eils, president, ceo and chief operations officer of Thrifty Corp., officially began his 1990-91 reign as NACDS chairman of the board.

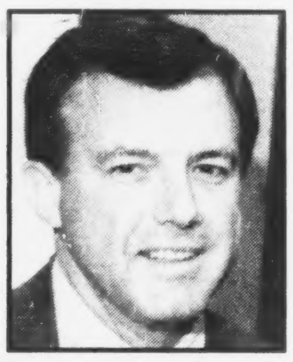
He called for a marshalling of resources around three critical issues: cost containment, multi-tiered pricing, and cost and supply of skilled employees.

Citing the role of drug chains in delivering health care to Americans, Eils said: "We're on the right side of these issues. . . all the hats we wear are white. . . We cannot allow others, whether they be governmental or educational establishments, to dictate to us how to serve our customers. It is. . . foolish be-

See **Eils,** *page 25*

Richard Eils, left, takes the NACDS gavel from outgoing chairman Gerald Heller at Palm Beach annual meeting.





Above: Bill Edwards. Left: A. L. Price unit in Southfield, Mich. Perry looks to focus on core drug stores.

Perry selling A. L. Price to Edwards, former F&M head

PONTIAC, Mich. — Citing a desire to concentrate on its core drug store business, Perry Drug Stores has agreed to sell its A. L. Price deep-discount division to Bill Edwards, former president of F&M Distributors and Revco D.S.

Edwards contracted in late April to purchase 14 of the 16 A. L. Price stores open in the greater Detroit

See **Perry** *page 25*

McK takes $20M charge, cites customer debt

SAN FRANCISCO — Citing concern over the weakened financial condition of some of its highly leveraged retail customers, McKesson Corp. has taken a hefty $20 million charge against fourth-quarter earnings. McKesson Drug accounted for 80 percent of that charge.

When McKesson announced its intention to increase reserves, a week before posting results, the stock price fell sharply (by $2.25 to $34.375) the following day.

Noting the reserve increase came after an intensive two-month credit review of its larger retail accounts, Alan Seelenfreund, chairman and ceo, and Rex R. Malson, president and chief operations officer, stated jointly, "McKesson's decision to increase its reserves reflects a concern on our part that some of our retail customers have employed excessive leverage in recent years and are using their suppliers to supplement their bank credit lines.

"Given the narrow margins inherent in the distribution business, the risk-reward ratio for McKesson to act as an

See **McK,** *page 26*

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Eckerd vp inducted into hall of fame

Banks

CLEARWATER, Fla. — Ken Banks, Eckerd Drug's vp-marketing communications, was inducted into the Retail Advertising Hall of Fame at its recent 38th annual conference.

A 10-year Eckerd veteran, Banks was cited by the association for his innovative use of media and "brilliantly fresh marketing concepts," and for showing an "uncanny ability to take any merchandise or service story, and with deft creative touches, transform it into a real gem."

Arbor adding five Michigan units

TROY, Mich. — Arbor Drug will open five new stores in Michigan within the next month, including the store being designated as Store No. 100. That milestone unit will open May 19 in the suburban township of St. Clair Shores, northeast of Detroit.

Three of the new units will open in upstate Michigan, including an opening in Midland May 21 and two stores set for a May 14 opening in nearby Saginaw. Arbor will also add its third store in Ann Arbor June 9.

Several more units are in final stages of completion, a spokesman said. Arbor will "easily" have 150 units on line by the mid-1990s, he added.

Bergen opens 71,000-square-foot DC

ORANGE, Calif. — Bergen Brunswig Drug Co. recently opened a 71,000-square-foot full-service distribution center in Kansas City, Mo.

The wholesaler's Kansas division, which opened April 2, is a full-line supplier of OTC and H&BA products as well as pharmaceutical items. The DC will serve customers in Kansas, Missouri, Iowa and Nebraska.

CVS canopy collapses, 2 hurt

LINDENHURST, N.Y. — Two persons were injured, one seriously, when the canopy overhanging the sidewalk at a CVS store here collapsed April 23. About 60 to 70 feet of a concrete, metal and wood roof structure on the store in a commercial strip crashed.

CVS leases the store, which was closed after the accident for about a day but reopened the following afternoon. A spokesman at the chain declined to comment further.

Goldsmith drops B.A.T. bid

LONDON — Sir James Goldsmith recently dropped his nine-month quest to acquire B.A.T. Industries P.L.C., which holds about a 40 percent interest in Imasco Ltd., the Canadian owner of Peoples Drug Stores in the United States and Shoppers Drug Mart in Canada.

Perry picks new ad agency

PONTIAC, Mich. — Perry Drug Stores has picked Yaffe and Co. of Southfield, Mich., as its new advertising agency, replacing W.B. Doner & Co.

"We believe Yaffe and Co. can help us communicate all that we offer in our stores in the 1990s," commented David Schwartz, president and chief operating officer of Perry.

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Bindley gets $150M contract

INDIANAPOLIS — Bindley Western has been named the primary supplier of pharmaceuticals to Peyton Distribution of Cincinnati, a Kroger subsidiary that services the SupeRx division of Hook-SupeRx, Kroger's Sav-on combos and Denver-based King Soopers.

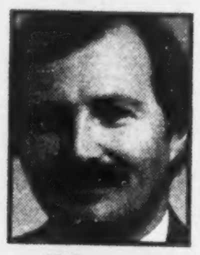
The account will mean in excess of $150 million annually for Bindley Western, said Keith Burks, president and chief operating officer.

Bindley Western will serve Peyton's Bluffton, Ind., facility from its distribution center here, and will serve Peyton's Cleveland, Tenn., warehouse from its DC in Atlanta, Ga.

News of the large pact with Peyton came about a week after Bindley Western reported that record sales and earnings for the quarter ended March 31. Sales were $433 million, a 20 percent gain over first-quarter $362 million in 1989. Earnings jumped 78 percent, to $1.6 million, or 25 cents per share, from $901,000, or 15 cents per share.

Chairman and ceo William E. Bindley said the record performance came from gains in all segments, especially in sales of products to accounts other than chain drug warehouses.

Bloom dinner set for May 17



Bloom

NEW YORK — At press time, more than 150 companies have committed to 800 seats at The Torch of Learning Award Dinner honoring David R. Bloom, chairman and ceo of the Imasco Drug Retailing Group.

Fundraising efforts have so far tripled those of any previous dinner held by The American and Canadian Friends of the Hebrew University, and will easily surpass the $1.2 million goal. Bloom is being honored upon the establishment of The David R. Bloom Center for Pharmacy at the Hebrew University of Jerusalem.

Barbara Walters will be the guest speaker at the May 17 dinner at the New York Marriott Marquis. For limited seats that remain, call Arthur Konviser or Louis Goelman at Shoppers Drug Mart, (416) 493-1220.

Cunningham to motor, get prez

POMPANO BEACH, Fla. — Cunningham Drugs is consolidating its operations and moving its headquarters to Detroit. Stewart G. Smith replaced Jim Devine as president of Cunningham Drugs and Partshap Corp. in late April.

McK taps Johnson ceo and chairman of 3rd-party service

SCOTTSDALE, Ariz. — McKesson Corp. announced that Robert Johnson, 54, has been appointed chairman and ceo of PCS Inc., the industry's largest provider of third-party prescription claims services. Robert E. Abrams, 61, was named to the newly created post of vp-special projects at PCS.

The announcement, by Rex Malson, McKesson's president and chief operating officer, followed closely the completion of McKesson's acquisition of the 14 percent of PCS outstanding shares not already owned by the corporation, at $20 per share, making PCS a wholly-owned subsidiary of McKesson. McKesson had announced in December its plans to name Johnson chairman and ceo upon completion of the acquisition.

Johnson and Abrams are both former executives of the California Pharmacists Association (CPhA).

Johnson for 19 years was executive vp of CPhA, the country's largest state pharmacy organization with more than 7,000 members, and its two subsidiaries, California Pharmacists Inc. (CPh) and the Pharmacy Care Network (PCN). He also served as editor of the CPhA monthly publication *California Pharmacist.*

Johnson

CPh administers an insurance program for members of the state organization, and PCN, which was established under Johnson's leadership five years ago, is the nation's largest pharmacy preferred provider organization.

A licensed pharmacist, Johnson was previously executive director of the Michigan Pharmacists Association. He received both his bachelor of science in pharmacy and his master of science in pharmacy administration from Wayne State University. He holds an honorary doctor of public service degree from the University of the Pacific.

Abrams was formerly PCN's vp-marketing. From 1969 to 1972 and again from 1977 to 1979, he served as president of PAID, a third-party prescription drug reimbursement company. In the intervening five years he was president of Health Application Systems, which administered health claims for both governmental and nongovernmental clients.

Johnson succeeds Alan Seelenfreund as chairman and John Pfeiffer as ceo of PCS. Pfeiffer retired as vice-chairman and ceo upon completion of the acquisition making PCS a wholly-owned McKesson subsidiary.

Carole L. Kennedy, 47, named president and chief operating officer of PCS in December, will continue in those posts.

Harris looks to grow with promotions

SOLON, Ohio — Harris Wholesale has announced a series of promotions it said helps to position it for planned growth under owner R.A.B. Holdings Inc., which bought the chain in January 1989.

At headquarters, Mike Visnich has joined Harris as vp-retail marketing. He comes from General Medical Corp., an R.A.B.-owned hospital supplier.

John Nixon, who served most recently as vp-gm, New England Division, has been named corporate group vp with responsibilities for directing purchasing, sales and corporate planning.

Also, five persons have been named to senior divisional posts with responsibility in each case for the division's operations and sales.

Lewis Mead, a recent G.M.C. employee, has been named vp, Atlanta division. Horace Kirkland is named Atlanta division gm. Kirkland was most recently with Alco Health Services.

Bill LaGamba has been promoted to gm, Western Pennsylvania division. LaGamba was most recently Harris' director of institutional sales.

Also, Wally Hink is promoted to vp-gm, Florida division.

William Hinchcliffe, recently a general manager at Bergen Brunswig, has been named gm, New England division.

With $1 billion-plus annual sales, Harris, a private company, operates in most East Coast states and in some Midwest states as far west as Michigan.

OPINION

NACDS speakers tap industry future

In all of the vast number of words spoken at the NACDS annual meeting, two themes stood out.

First, pressures on pharmacy are going to intensify, and chains had better gird themselves for a long siege by government and industry cost-cutters as well as a whole range of tough competitors.

IN THE MARKET

BRUCE BUCKLEY

Second, the war being waged for the drug store's other core categories is bound to get even hotter. Only those operators who are able to stay fresh, trim costs and find and train good people will thrive.

Of course, there's nothing new in this. But what was valuable was the classy way that the NACDS meeting speakers addressed those issues. Speeches and commentaries were jam-packed with facts and delivered in down-to-earth language. Who could ask for more?

In a limited space it's difficult to capture even a small portion of the meeting's flavor, but let me play back a brief sampling of notes scribbled in the dark of the vast meeting room:

C. Everett Koop, former U.S. Surgeon General: "The medical care system in this country is laissez-faire, but it is not competitive. . . I know you [members of NACDS] take pride in the competitive nature of community pharmacy even if pharmacy drug costs have risen."

Jim Harrison Jr. of Harco Drug: "The survival of our industry rests on pharmacy, which makes up 30 to 40 percent of drug store sales and a larger percentage of profits. [It's important for drug stores] to dance with who brought them."

Mike Wright of Super Valu: "I suggest you seek ways to better appeal to the practical or smart shoppers who are pressured for time and largely oriented to making their life more comfortable — but who are also price sensitive."

Fred Canning of Walgreens: "Deep discounters such as Phar-Mor and Drug Emporium are obvious price threats, but I think the jury is still out on this concept. Some will execute well and be successful, but there will be fallout."

Peter D. Hart of Hart Research Associates: "Don't ever lose that trust [that customers have in their pharmacists]. People who know their pharmacist by name shop in drug stores more."

'The survival of our industry rests on pharmacy, which makes up 30 to 40 percent of drug store sales. . . [It's important for drug stores] to dance with who brought them.'
— Jim Harrison Jr. of Harco Drug

Jerry Heller of May's: "If I succeeded in raising the profile of small chains with their peers and with suppliers during the past year [as chairman of NACDS], that may be my most important accomplishment."

Dick Eils of Thrifty: "We have a great case. We know that markets work. We know that free market pricing is the best guarantee of safe, affordable products for consumers. And we know that's what we can deliver. We have the trust of the American people. We must now aggressively take our case to the [third-party] payers and to State Houses across the country."

A Tribute to Dick Groberg

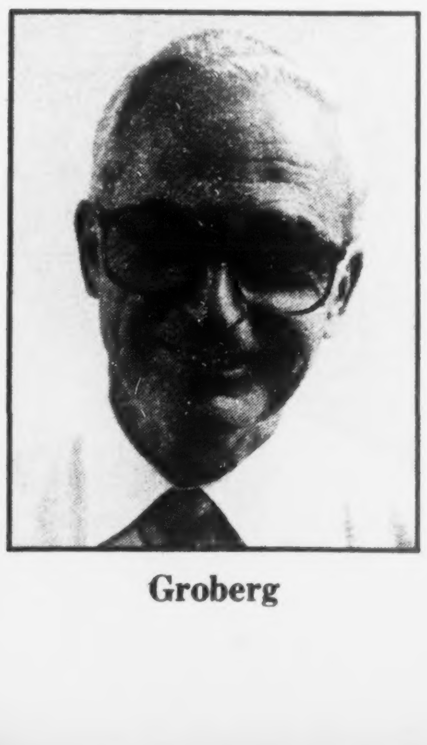
Dick Groberg served Lebhar-Friedman for 32 years in many capacities. He retired in December, and died last month of complications from multiple sclerosis. The following is a tribute to Mr. Groberg written by J. Roger Friedman, president of Lebhar-Friedman, Inc.

Yesterday I attended a funeral service. The casket was draped with an American flag. This flag symbolized Dick Groberg's life. Dick believed in the values of our country. Like our people, he was honest, outspoken and wielded great influence.

Dick joined Lebhar-Friedman 32 years ago as an associate editor. Over the years he was promoted to editor, publication director, group publications director and, during the last few years, vice president of human resources.

For several years Dick knew he had multiple sclerosis. He initially had to give up tennis. His comment was, "This is a young man's game, let them play it." Eventually Dick reached the point where he could no longer take the train to work and was forced to drive. As his condition worsened, he had to use a cane. Never once did he complain or feel that life had treated him unfairly.

He was a great believer in corporate training, and up to his retirement he continued to develop instructional programs for our new associates. He was honest. During our executive committee meetings, Dick could be counted on to give his opinion without emotionalism or prejudice. His famous line, "My tummy tells me. . . " meant that over and above the reports and the figures, there was another factor. This intuitive evaluation was based on his belief that individuals had a basic responsibility to help themselves, to be honest to their associates and to uphold the standards and values of the organization that they represented.



Groberg

His famous line, 'My tummy tells me. . . ' meant that over and above the reports and the figures, there was another factor. This intuitive evaluation was based on his belief that individuals had a basic responsibility to help themselves, to be honest to their associates and to uphold the standards and values of the organization that they represented.

Several years ago, Dick discussed with me the possibility of his retiring and I told him that the company still needed him. We needed his calm, level voice, and we needed his even-handed approach to business problems. He agreed to stay on.

Retirement tribute

His retirement dinner this past December was a tribute to the affection and esteem his business friends held for him. The restaurant was filled to capacity. Many of his associates flew in at their own expense.

At our December luncheon, Dick was surprised when he was the recipient of the Arnold D. Friedman Citizenship Award. This award is given annually to the individual in the company who most personifies my father's spirit of "treating his associates as family." Part of this award is a two-week trip for the recipient and his spouse to any place they so desire. As recently as three weeks ago, Dick was talking about *his* trip.

He never will take this well-deserved vacation, but every time we have a business problem at Lebhar-Friedman, every time the atmosphere begins to heat up and every time tempers begin to flare, I will think of Dick and try to imagine what his tummy would have told him.

I know the Executive Committee on High is saying, "Dick what do *you* feel?"

— *J. Roger Friedman*

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TRENDS

Chains urging consumers to lighten up

When it comes to light bulbs, merchants often think their ideas outshine others. The energy going into lighting sets is being augmented this year by some bright introductions that may induce consumers to trade up and raise overall category performance.

This year's debut by GTE/Sylvania and North American Philips of screw-in "A-line" halogen lights for everyday consumer use provide a new premium light.

General Electric continues to sell its "A-line" halogens in hardware and home center outlets for commercial users and has no immediate plans to expand them into other retail channels such as drug stores. However, GE in December launched a 14-sku non-screw-in halogen line of specialty and decorative bulbs aimed at all trade classes.

Besides emitting a better quality light, halogen bulbs will last more than twice as long as standard incandescent bulbs, vendors claim. Some see them as an opportunity for drug chains to compete against discount stores by upgrading the assortment with value-added items, where they can recover profits lost from promoting standard bulbs as loss leaders.

Chains usually take 30- to 50-percent margins on light bulbs, even when frequently discounting the "A-line" SKUs. They recover margin from the specialty bulbs, the fastest-growing bulb segment because of trends such as: "nesting," or staying at home; and the perception that decorative lights are an inexpensive way to improve the home.

Consumer halogens' features include a whiter, more natural light, with prices 30 to 40 percent above standard incandescent.

Sylvania will launch its A-line halogen in the second half. It will have triple the life of a standard bulb, said Robert Brands, marketing manager, U.S. Lighting Division, GTE/Sylvania.

Philips will make available its HalogenA screw-in bulbs for shelf delivery in August. The four SKUs are double-envelope lamps in tubular shapes and will be interchangeable with incandescent lamps of the same wattage.

Will these be accepted by drug chains.

"We may let the pioneering [of halogen] go to somebody else," said Chuck Bower, buyer at Kerr Drugs.

Kerr has a sharp price orientation. Facing heavy supermarket competition, Bower strives for a consistent value image for his GE program, setting out everyday low prices. With the large percent of Kerr's bulb sales coming from standards on ad, Kerr counts on forward buying to hold costs and on specialty bulb sales (globes, reflectors, parabolic bulbs and floods) to keep the category margin at 40 percent.

Some buyers though feel halogen's quality will appeal to educated, higher-income consumers. "[Retailers] are putting far too much emphasis on the price. I don't think [bulbs] are a price-driven product," says John Kunzi, Drug Emporium's director of general merchandise.

The long-life bulbs by GE, Sylvania and Philips showed that consumers are willing to pay more for performance, Kunzi said.

Drug Emporium stores are single-vendor stores carrying Sylvania at everyday low prices in 16- to 20-foot sections, where they get the best return on investment, Kunzi said.

Smell of success?

Kunzi and other buyers said it is still too early to gauge whether scented bulbs will catch on with consumers. Sylvania introduced Lite Scents lamps, bulbs that emit orange, cranberry and pine-scented fragrances. S.C. Johnson launched a similar non-light bulb item this year with its Glade Plug-Ins air fresheners, electric warming units with scent cartridges.

A one-line chain

At Phar-Mor, Philips is displayed exclusively in as much as 100 feet. Offerings this year will include Philips' new three-way pastel bulbs and the Alert light, with a backup filament.

Kinney Drugs in New York periodically promotes GE standard bulbs, offering, for example, its four-pack soft-white at $1.99 or the four-pack Miser, said buyer Elaine Matott, who added, "We're not the lowest in the market.I don't feel the usage is that great, with consumers looking for them in hardware and department stores."

In-store promotions

Vendors continue to place promotional emphasis at store level. GE is launching chain-specific tie-in promotions in the third quarter with rebates or dollars back for buying a second product. Sylvania plans a second-quarter promotion where consumers win cash if they're spotted with Sylvania products in their shopping carts.

Incandescent bulb sales burn brightly

(Total U.S. retail dollars in billions)

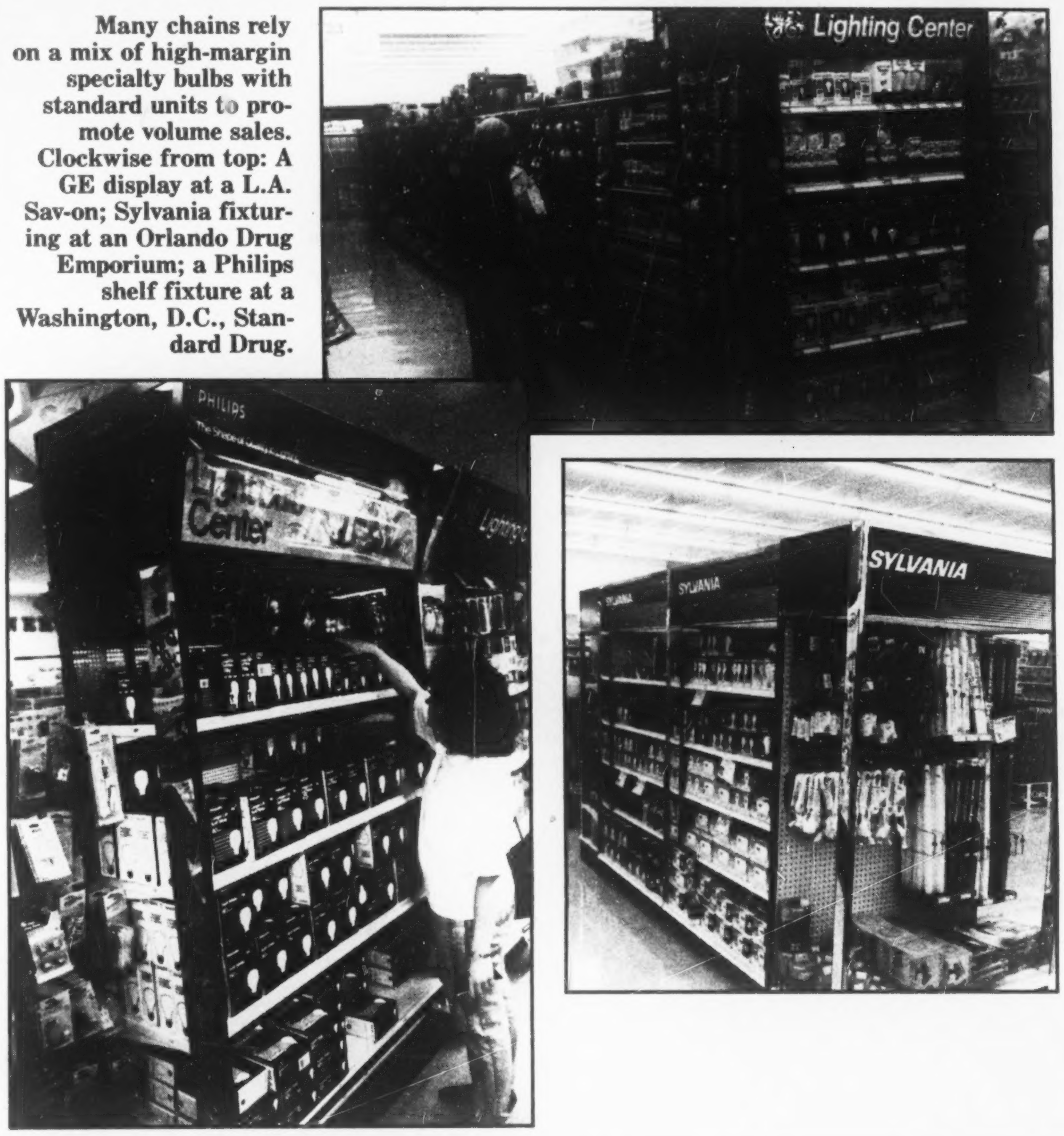
1989	$1.10
1988	1.06
1987	1.03
1986	1.01
1985	1.02

Unit retail bulb sales climb steadily

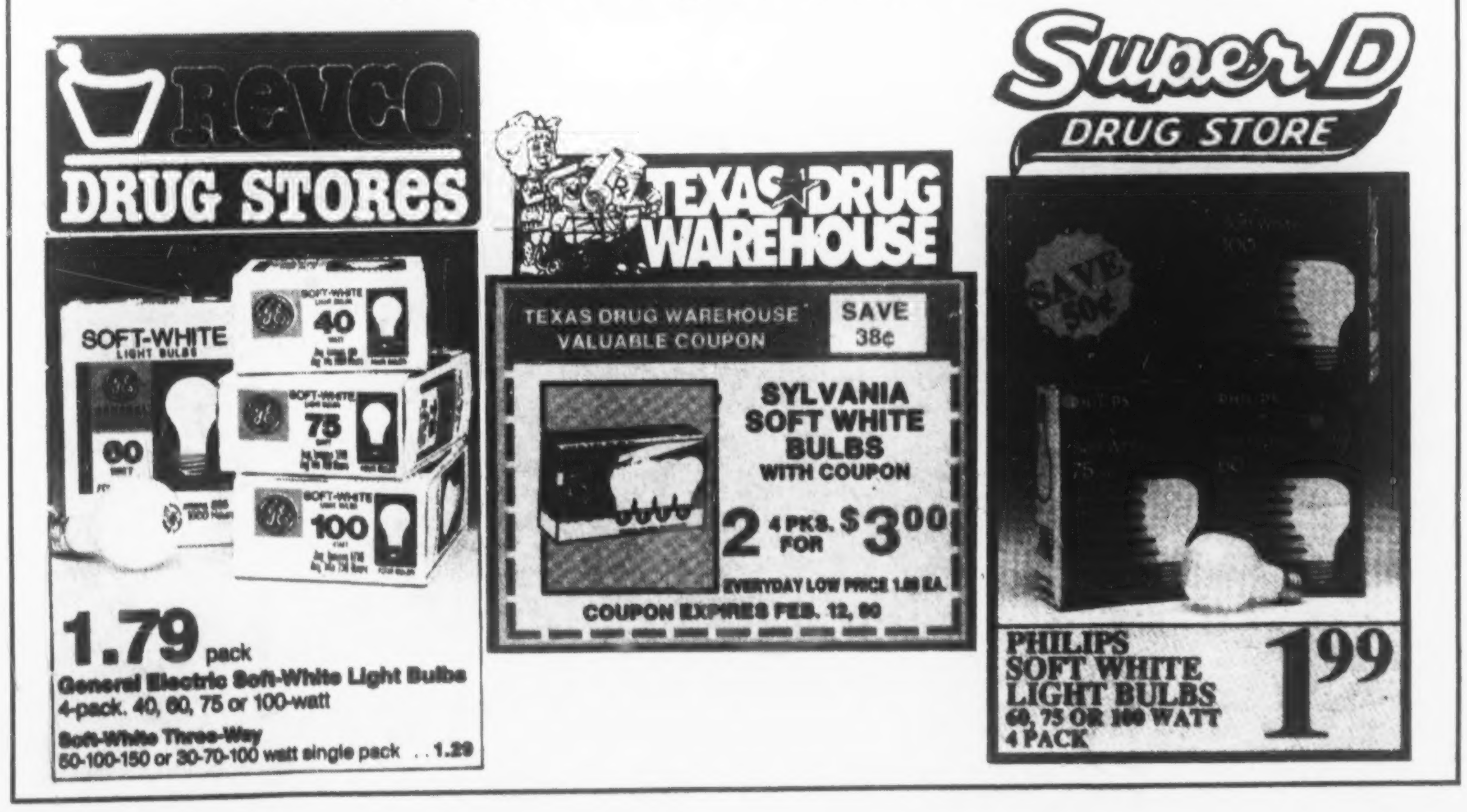
(In billions)

1989	1.71
1988	1.67
1987	1.61
1986	1.57
1985	1.51

Source: National Electronic Manufacturers Association


Many chains rely on a mix of high-margin specialty bulbs with standard units to promote volume sales. Clockwise from top: A GE display at a L.A. Sav-on; Sylvania fixturing at an Orlando Drug Emporium; a Philips shelf fixture at a Washington, D.C., Standard Drug.

Chains plug pricing to turn on consumers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Batteries big draw as impulse buys, multipacks lead charge

Batteries are leading the charge as traffic draws and generators of impulse sales—especially with many chains advertising multipacks to draw heavy battery users, who account for more than 70 percent of all household battery volume.

Chains feel it is important to create an image as a source for batteries, as the category continues to post about 5 percent annual unit growth, which is projected to continue.

Besides adding multipacks, chains increasingly are following discount stores' lead and merchandising batteries throughout the store, wherever impulse purchases can be captured. Batteries are the most profitable item at the checkout, topping candy, gum and cigarettes, according to the latest *Drug Store News'* Checkstand Merchandising Study.

Underscoring the importance of space-efficiency, impulse and cross merchandising, Eveready this year launched its shrink-wrapped multipacks with bold graphics, which occupy one-third the space of blister packs, fit neatly at the checkout and attract customers. They'll be launched in mid-June.

Yet chain's strategies differ significantly.

Leroy Pharmacies, the 11-store Manhattan chain, for example, has found that C and D batteries are strong sellers, although the AA size is the top SKU, as it is industrywide. Leroy stores in Greenwich Village and on the Upper East Side typically advertise 2- and 4-pack C and D sizes "at least once a month" at "close to loss-leader prices," said Jerry Gmuer, merchandiser. Leroy offers a 2-pack at $1.79 with a $1 rebate and a 4-pack at $2.99 with a $1 rebate, Gmuer said.

Gmuer stopped Eveready and Duracell floorstands within sight of the front registers because of shrink problems.

Genovese Drug Stores takes a more typical promotional approach by running regular group promotions of its Eveready and Duracell batteries that include all sizes, with emphasis on 8-pack AA and 4-pack Cs and Ds. The category, paced by multipack sales, continues to produce 10 percent annual growth, said buyer Lenny Genovese.

Regarding Eveready's shrink wrapping, Genovese said, "I don't have the space on the counters. They may make a great fourth-quarter item."

Duracell is breaking new ground in responding to consumers' concerns about battery life. This year it's launching liquid-crystal-display battery testers that will be included as free premiums in the blister card with the battery on top-selling SKUs.

Buyers said the jury is out. One buyer speculated the tester could "keep consumers out of the market" by allowing them to keep batteries longer.

Eveready, meanwhile, will be the first vendor to tap into consumers' concerns about the environment. Its top-moving sku's will bear an on-pack notice: "New: First Low Mercury Battery in U.S."

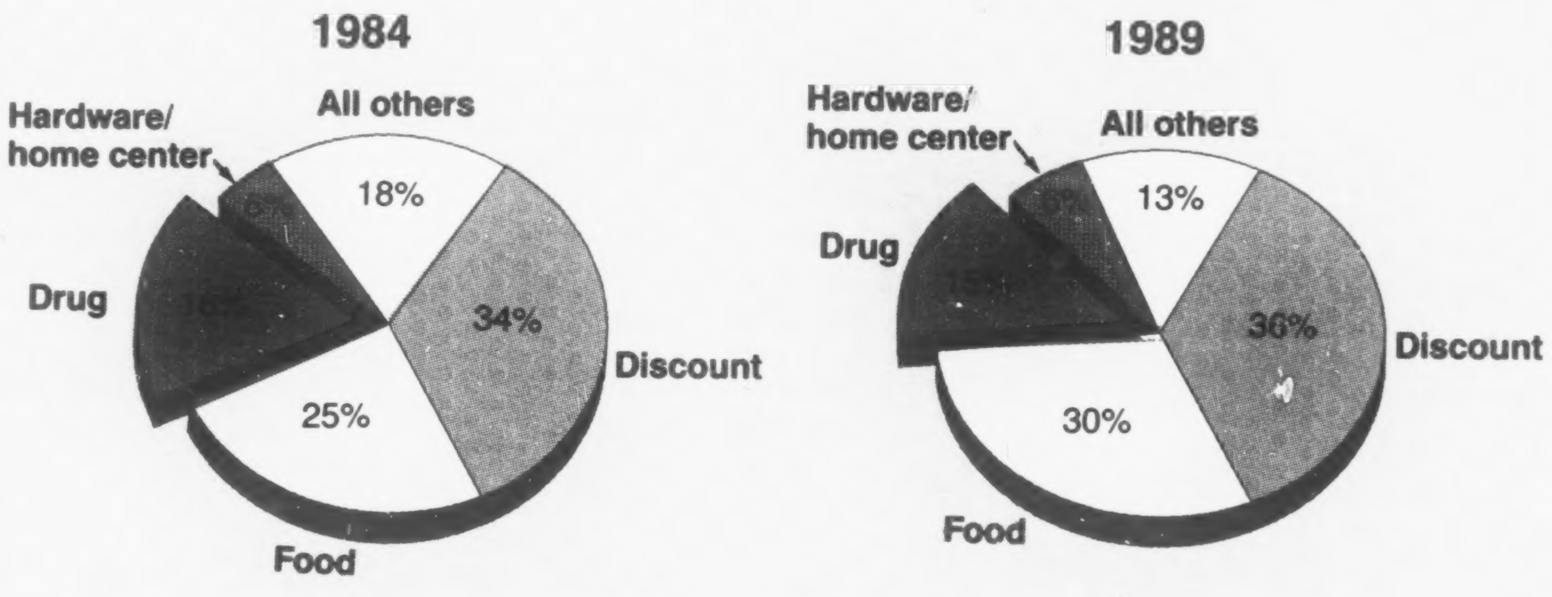
The mercury issue, a source at Eveready concedes, is "more of a perception of being a problem than it is a problem."

Rayovac has gained drug chain turf with its SmartPack and checkout merchandising system, and claims about seven percent of the drug market. Peoples, Big B, and F&M are among chains that have joined Eckerd in picking up the SmartPack for the checkout.

Meanwhile, Panasonic has gained some ground. Duane Reade in New York carries Panasonic, and Hook was among chains promoting its household batteries this year.

Battery sales by outlet

(Percentage share)



Source: NFO Consumer Purchase Diary

Battery sales growth forecast thru '92*

(Millions of retail dollars)

1992	$3,318**
1991	3,121**
1990	2,931**
1989	2,769
1988	2,574
1987	2,411
1986	2,166

*Six consumer sizes
**Estimated

Source: A.C. Nielsen and NFO Consumer Purchase Diary

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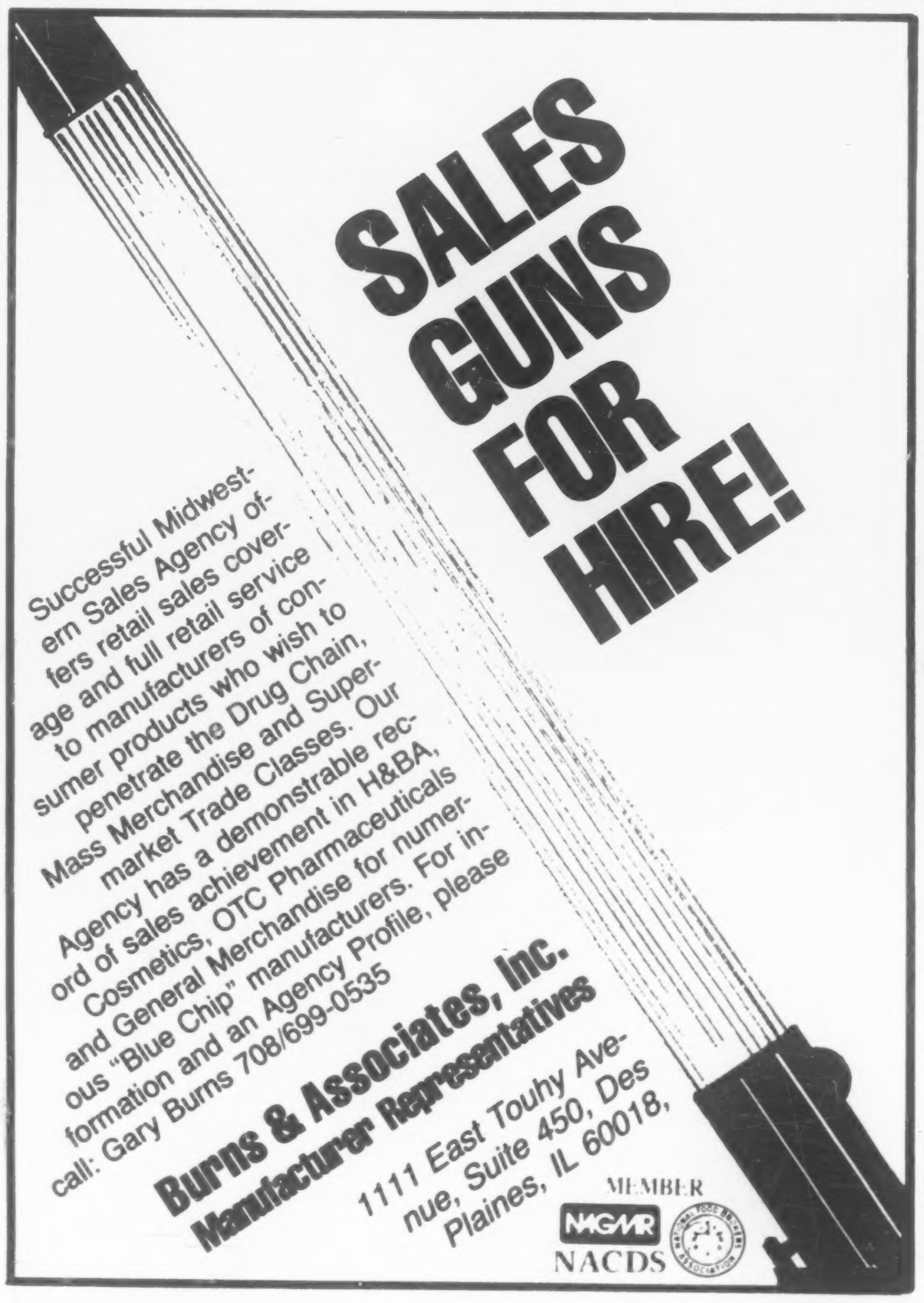
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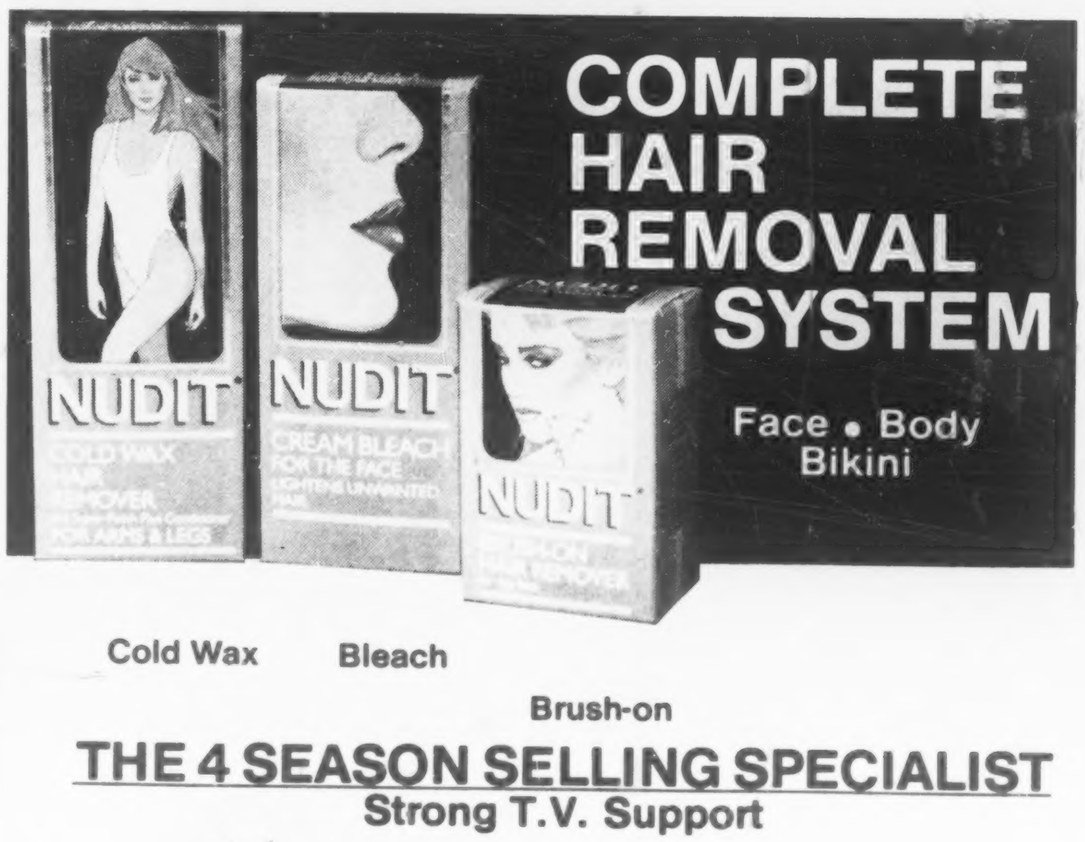

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Rechargeables predicted as batteries of the future

Rechargeable batteries are awaiting their day in the sun.

"[Rechargeables] are batteries of the future. Consumers are just getting their feet wet," said Dan Halaburda, marketing manager, Panasonic.

Price and consumer understanding of the product have been barriers. Yet growing battery use promises to make rechargeable systems — and the nickel-cadmium batteries they employ — the method of choice for certain types of battery users, some contend.

Heavy battery users, who can dispose of 96 batteries a year compared with the average users' 35, have been most prone to use rechargeables, according to Rayovac estimates.

Rechargeable sales have been growing more than 20 percent a year as vendors "fill in the pipeline" and secure sales with new accounts.

But since the rechargeable battery loses its life very quickly — it loses about 1 percent of its charge a day —it's suitable for only certain types of heavy-use functions, such as in radios, toys or office dictaphones.

The advantage, of course, is having the chance to buy one battery rather than dozens, a potentially economical practice, which also holds appeal for consumers concerned about battery waste disposal.

Thrift, Peoples and Rite Aid are among chains that have picked Panasonic rechargeables.

Faster recharging

The latest twist was the launch in 1988 by General Electric and Eveready of chargers that work in one hour, compared with the typical seven to sixteen hours required.

GE's Fast Charger retails for about $30, for use only with AA batteries, charged two at a time.

Eveready has launched two models of its Generator, a $39.99 version for four AA batteries and a $49.99 version for four AAs, Cs or Ds.

"We have the capability to take the charging time to as low as 15 minutes," said Halaburda of Panasonic, whose system requires six hours.

Why not do it? Panasonic found in a survey that consumers would rather pay less and wait longer. Panasonic's under-$15 price point was acceptable; over $20 was not, said Halaburda.

Chain buyers are concerned about the price of charging systems and batteries and are waiting for vendors to do more to enlighten consumers.

Heavy battery users drive category

- The heavy-user household consumes **71%** of all batteries sold.
- It consumes **96** batteries a year, compared with the average household's **35** batteries.
- Of U.S. households, **20%** are heavy users.
- The typical heavy-user home is a married couple with children 6 to 12 years old and young adults 13 to 20 years old.

Source: Rayovac

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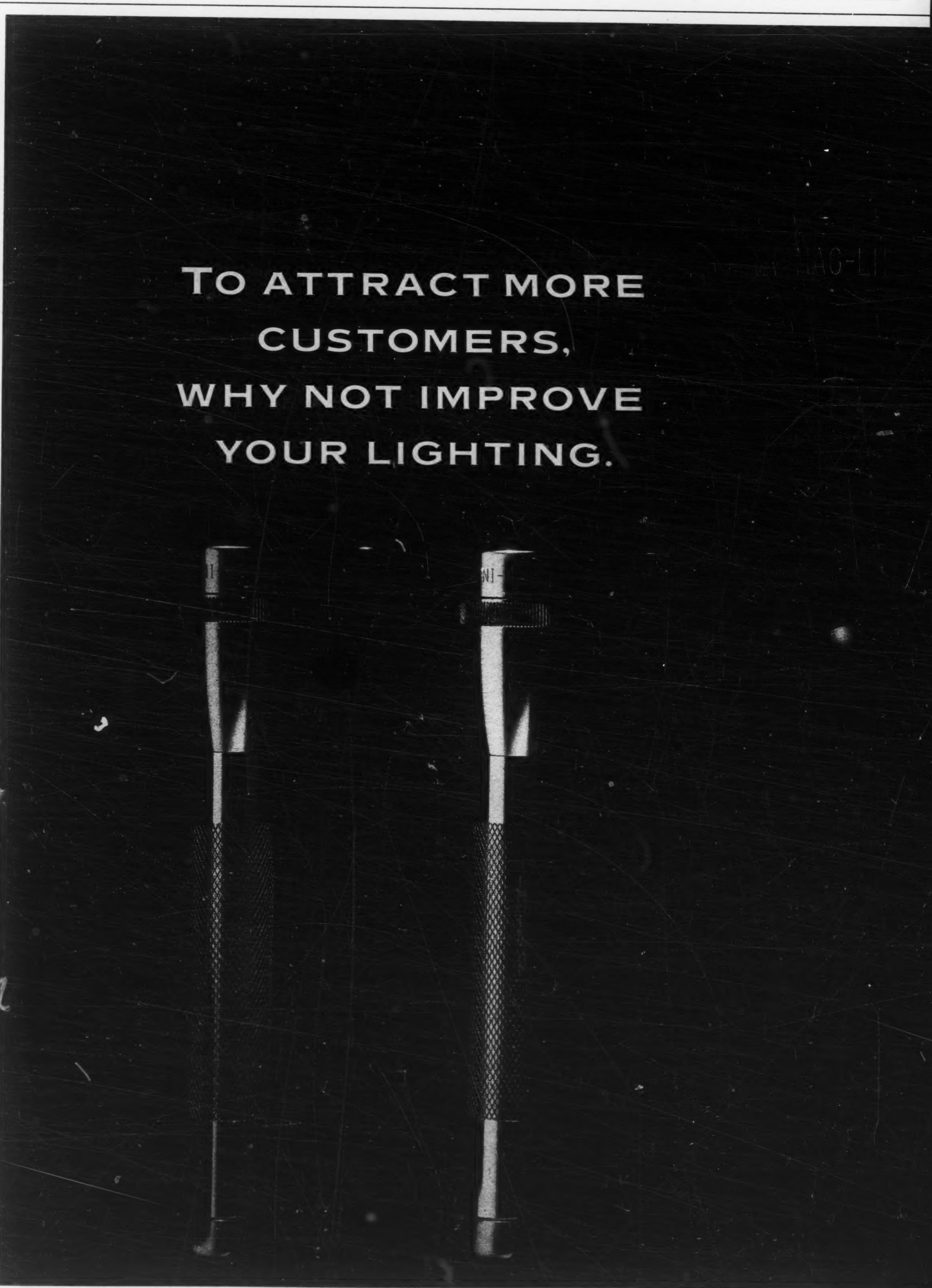

Safeway trading again on NYSE

Continued from page 3

Safeway's parent company, Kohlberg Kravis Roberts & Co., reportedly thought it could fetch for the stock last year.

Safeway went private in a $4.3 billion leveraged buyout in 1986 financed by junk bonds and other borrowings and arranged by KKR, which also put up most of the $175 million that accounted for the equity portion of the buyout. The buyout—which was the largest LBO in history up to that time—turned Safeway into a highly leveraged company with a massive, $5.6 billion debt load and interest payments of $576 million the first year after the buyout.

To ease those debt pressures, Safeway quickly began selling off store divisions around the U.S., Canada and in Europe. It left key markets such as Dallas, Kansas City, Salt Lake City and Southern California and raised enough in store sales to trim its debt by $2.5 billion. In the process, interest payments declined to $401.2 million in 1988 and $382.8 million last year, and Safeway's operating network declined to 1,117 higher-volume stores in the U.S. and Canada.

Nevertheless, Safeway is still saddled with $3.1 billion in debt.

The supermarket giant plans to spend roughly $3.2 billion for new and remodeled stores, lease obligations and other capital improvements over the next five years. KKR expected to generate $104.4 million by offering 10 percent of the company.

Safeway plans to use those funds to open approximately 70 new stores and complete major remodeling projects in another 240 units over the next two years.

Pharmacy growth

Pharmacies are now found in 31 percent of Safeway's stores, compared with 13 percent five years ago. In Safeway's newer superstores, the percentage of Rx counters is even higher, at 56 percent.

Thanks in large part to store improvement programs, Safeway's operating profits rose to $462 million in fiscal 1989 from $326 million the previous year. Same-store sales were up a healthy 5.5 percent.

McKesson takes $20M charge

Continued from page 1

unsecured creditor in those situations is not consistent with prudent business practices."

While stressing that most of its customers remained "highly credit worthy," they said McKesson was stepping up its credit surveillance, tightening operating procedures and figuring ways to change terms and conditions of sales to some highly leveraged customers.

Industry sources said such changes might include requiring electronic fund transfers, receiving the same financial statements provided to lenders and tightening terms of receivables outstanding.

McKesson's position was puzzling to some other wholesalers contacted by *Drug Store News*. "This doesn't square with the industry at all," said one wholesale executive, whose view was echoed by others. He cited strong earnings recently reported by Bindley Western, Durr-Fillauer and Bergen Brunswig.

"I wouldn't want vendors to think the whole industry has problems," said another wholesaler. "We all have trouble with specific accounts and take small charges. We already have rather tight credit policies."

Don Steinbacher, vp-administration and treasurer of Alco Health Services, said, "Regardless of the degree of leverage, we're careful with all our customers and assess their ability to pay."

"McKesson in the past has used credit more aggressively than some other wholesalers, using liberal terms as a marketing tool," said David Keuler, analyst with Blunt Ellis & Loewi. "Its biggest problem is in its warehouse-to-warehouse business."

McKesson Corp. reported revenues for the fourth quarter ended March 31 rose 11 percent, to $2.1 billion, while net income dropped 28 percent, to $18.3 million. Year-end revenues rose 11 percent, to $7.8 billion; net income dropped 2 percent, to $98.7 million. — *Susan Ball*

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Vol. 12, No. 9 May 14, 1990

MARKET DIARY:

Largest Dollar Gainer	Medicine Shoppe	$ 2.63
Largest Dollar Loser	Great Atl. & Pacific Tea	$– 4.88
Largest Percentage Gainer	Bindley Western Ind.	25.00%
Largest Percentage Loser	Columbia Labs	–20.00%

Advances	8
Declines	44
Unchanged	3
New highs	6
New lows	5

	Close 4/11/90	Close 5/1/90	Net Change	Percent Change
Drug Store News Index	2857.01	2792.98	–64.03	–2.24
Dow Jones Industrial Average	2729.73	2668.92	–60.81	–2.23
Standard & Poor's 500-Stock Index	341.92	332.25	– 9.67	–2.83
N.Y.S.E. Composite	187.57	182.22	– 5.35	–2.85
Value Line Index	241.62	232.89	– 8.73	–3.61

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 4/11/90	Closing Price 5/1/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	18.75	18.00	–0.75	– 4.00	16	0.16	0.89	24.75	14.75
OTC	Big B (L)	BIGB	10.88	10.75	–0.13	– 1.15	22	0.16	1.49	15.25	10.50
OTC	Drug Emporium (L)	DEMP	7.25	6.88	–0.38	– 5.17	10	0.20	2.91	16.38	6.25
NYS	Fay's Inc.	FAY	8.75	8.00	–0.75	– 8.57	12	0.20	2.50	15.00	7.75
ASE	Genovese Drug	GDX.A	8.50	8.25	–0.25	– 2.94	20	0.24	2.91	12.88	7.50
OTC	Leroy Pharmacies	LERY	5.00	4.88	–0.13	– 2.50	– 81	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	39.75	37.38	–2.38	– 5.97	12	0.96	2.57	48.50	35.50
OTC	Medicine Shoppe (H)	MSII	23.13	25.75	2.63	11.35	27	0.16	0.62	26.38	17.50
NYS	Perry Drug (L)	PDS	7.88	7.75	–0.13	– 1.59	13	0.00	0.00	12.88	7.00
NYS	Rite Aid Corp.	RAD	33.75	32.88	–0.88	– 2.59	16	0.88	2.68	41.13	29.50
NYS	Walgreen Co.	WAG	43.13	42.63	–0.50	– 1.16	16	0.80	1.88	50.25	37.63
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	25.50	25.00	–0.50	– 1.96	14	0.40	1.60	27.25	20.50
OTC	Bindley Western Ind. (H)	BIND	9.50	11.88	2.38	25.00	19	0.00	0.00	11.88	7.88
OTC	Cardinal Distribution	CDIC	23.50	22.00	–1.50	– 6.38	17	0.08	0.36	25.00	16.00
OTC	Durr-Fillauer	DUFM	24.25	22.38	–1.88	– 7.73	15	0.28	1.25	25.88	18.50
ASE	Ketchum	KCH	2.13	2.13	0.00	0.00	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	36.88	32.63	–4.25	–11.53	15	1.44	4.41	39.75	31.75
ASE	Moore Medical	MMD	7.25	6.00	–1.25	–17.24	– 7	0.00	0.00	15.13	6.00
NYS	Owens & Minor	OMI	11.50	11.88	0.38	3.26	32	0.24	2.02	13.25	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	69.25	67.63	–1.63	– 2.35	17	1.68	2.48	70.38	54.75
NYS	American Home Products (s)	AHP	51.75	48.88	–2.88	– 5.56	7	4.28	8.76	110.25	48.88
NYS	Baxter International	BAX	22.63	20.88	–1.75	– 7.73	– 49	0.64	3.07	26.25	19.25
OTC	Block Drugs Co.	BLOCA	35.00	34.75	–0.25	– 0.71	13	0.68	1.96	38.00	32.38
ASE	Bolar Pharmaceutical	BLR	9.13	8.63	–0.50	– 5.48	11	0.16	1.86	32.25	3.50
NYS	Bristol-Myers Squibb	BMY	54.88	56.25	1.38	2.51	37	2.12	3.77	58.25	46.38
NYS	Carter-Wallace	CAR	52.00	50.88	–1.13	– 2.16	16	0.80	1.57	60.50	41.63
ASE	Columbia Labs	COB	13.75	11.00	–2.75	–20.00	– 20	0.00	0.00	19.63	5.13
ASE	Forest Labs	FRX	38.50	37.50	–1.00	– 2.60	27	0.00	0.00	44.50	29.25
NYS	ICN Pharmaceutical (L)	ICN	3.38	3.25	–0.13	– 3.70	0	0.00	0.00	6.88	3.25
ASE	Lee Pharmaceutical (L)	LPH	1.75	1.63	–0.13	– 7.14	– 8	0.00	0.00	4.75	1.50
ASE	Leiner P. Nutrition	PLI	10.38	9.75	–0.63	– 6.02	15	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co.	LLY	67.63	66.88	–0.75	– 1.11	20	1.64	2.45	69.25	52.38
NYS	Marion Labs	MKC	24.63	25.00	0.38	1.52	86	0.60	2.40	36.63	21.00
NYS	Merck Co.	MRK	73.88	73.25	–0.63	– 0.85	19	1.80	2.46	80.75	66.00
NYS	Mylan Labs	MYL	23.25	21.50	–1.75	– 7.53	30	0.20	0.93	25.38	8.13
NYS	Par Pharmaceutical	PRX	6.00	6.38	0.38	6.25	319	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	58.00	56.75	–1.25	– 2.16	14	2.40	4.23	75.75	54.50
NYS	Rorer Group (H)	ROR	68.88	69.75	0.88	1.27	33	0.84	1.20	69.75	36.13
NYS	Schering Plough	SGP	83.00	82.63	–0.38	– 0.45	19	2.24	2.71	87.50	63.38
NYS	Syntex Corp.	SYN	52.13	50.25	–1.88	– 3.60	19	1.60	3.18	54.50	40.00
OTC	Taro-Vit Industries	TAROF	0.88	0.88	0.00	0.00	– 29	0.00	0.00	1.88	0.88
NYS	Upjohn Co.	UPJ	37.88	36.38	–1.50	– 3.96	21	1.00	2.75	42.13	28.88
NYS	Warner-Lambert	WLA	108.75	105.38	–3.38	– 3.10	16	3.04	2.88	118.75	86.50
OTC	Zenith Labs	ZENL	5.25	5.25	0.00	0.00	– 2	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's (H)	ABS	59.13	57.88	–1.25	– 2.11	20	0.96	1.66	60.38	43.13
NYS	American Stores	ASC	65.88	62.63	–3.25	– 4.93	18	1.12	1.79	72.50	51.38
NYS	Giant Food	GFS.A	28.13	27.00	–1.13	– 4.00	15	0.60	2.22	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	57.63	52.75	–4.88	– 8.46	0	0.00	0.00	65.38	48.25
NYS	K mart	KM	34.25	32.63	–1.63	– 4.74	20	1.72	5.27	44.88	32.13
NYS	Kroger	KR	12.50	11.88	–0.63	– 5.00	–132	0.00	0.00	19.75	10.88
NYS	Melville Corp.	MES	49.13	46.50	–2.63	– 5.34	13	1.40	3.01	53.63	40.25
OTC	Fred Meyer	MEYR	14.63	13.50	–1.13	– 7.69	– 48	0.00	0.00	23.00	13.00
NYS	Penney, JC	JCP	68.25	63.63	–4.63	– 6.78	10	2.64	4.15	75.63	54.88
NYS	Smith's Food & Drug (H)	SFD	28.63	28.00	–0.63	– 2.18	23	0.28	1.00	29.00	20.50
NYS	Wal-Mart (H)	WMT	50.00	50.25	0.25	0.50	26	0.28	0.56	51.88	34.25

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split. Note: American Home Products completed a 2-for-1 stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS

Vol. 12/No. 10 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. May 28, 1990

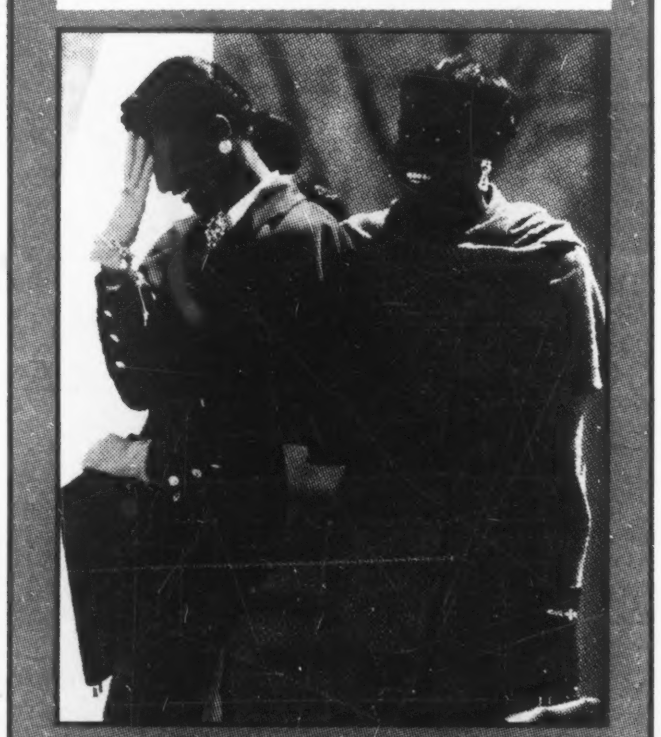
LATE NEWS

•CINCINNATI — Kroger Co. will open roughly 26 new stores in 1990, the great majority of them combo stores. At its annual meeting here May 17, the company also announced that it will remodel more than 100 stores.

•SALT LAKE CITY — American Stores said it will sell within five years 152 of its 175 Alpha Beta stores in Southern California, as part of the terms of a consent decree with the state Attorney General that will settle anti-trust action in connection with the Lucky Stores purchase.

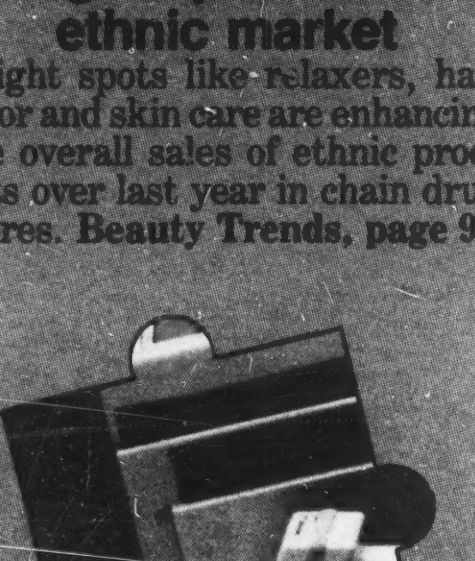
•LIVERPOOL, N.Y. — Sales at Fay's rose 16.8 percent to $153 million in the first quarter ended April 28, as earnings, before a $574,000 extraordinary charge, climbed to $1.48 million, the company reported.

TOP OF WEEK FEATURES



Bright spots in the ethnic market

Bright spots like relaxers, hair color and skin care are enhancing the overall sales of ethnic products over last year in chain drug stores. **Beauty Trends, page 9.**



EDI applications are expanding

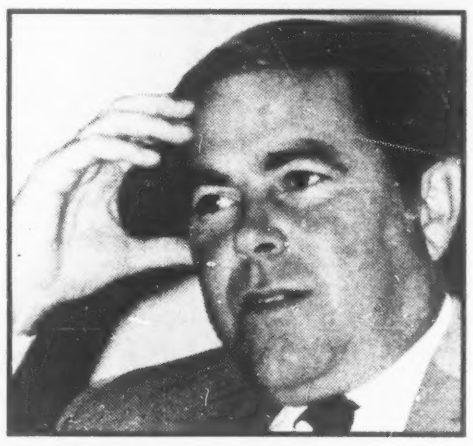
Drug chains are now testing options for partnerships with front-of-store merchandise vendors, carriers and banks. **Trends, page 27**

SupeRx AZ files Chapter 11

By James Frederick

PHOENIX, Ariz. — Burdened by debt and facing a cutoff in credit from its major lenders, SupeRx of Arizona, Georgia, and Alabama Corp., and its Medicare-Glaser Corp. subsidiary have filed for reorganization under Chapter 11 protection in U.S. Bankruptcy Court here.

The May 11 filing followed weeks of desperate maneuvering by SupeRx chairman and ceo Gerald Wolken and other top officers to negotiate a new financial package with lenders and potential investors. "We have been negotiating with our senior lenders for quite some time, and had hoped to be able to accomplish a restructuring of our finances outside the courts," said Wolken. "When negotiations among the lenders recently broke down, we had to seek protection under the reorganization laws."



Above: Unprofitable stores will be closed as quickly as possible, as part of a moderate downsizing. Right: SupeRx chairman Gerald Wolken worked feverishly to restructure finances before filing for Chapter 11.

Added senior vp-administration Jim Jumpeter, "We were highly leveraged, and part of our plan a year ago was to bring more equity into the company. We'd hoped to be able to refinance and have an equity partner in place before this happened, but we have not been able to renegotiate an acceptable financial package."

SupeRx reported assets of $23.0 million and liabilities of $29.9 million in its U.S. Bankruptcy Court filing here. Medicare-Glaser had assets of $38.6 million and liabilities of $41.8 million, the filing also disclosed.

SupeRx had posted a net loss of $4.9 million, and Medicare-Glaser a net loss of $1.2 million for the period of Dec. 10, 1989 through March 31, 1990.

All stores remained open following the filing, including the 36 Arizona stores under the SupeRx, Defender Drug, Drug World, and United Health Care logos; and the 94 Medicare-Glaser stores based in St. Louis. Last year, the company sold its stores in Georgia

See **SupeRx** *page 29*

Two creditors limit impact

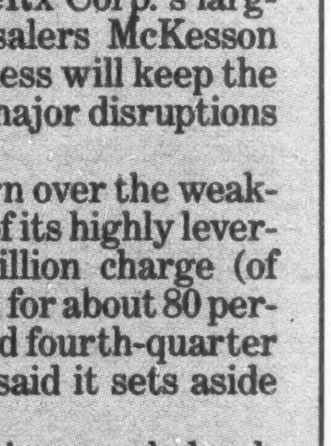
PHOENIX — For two of SupeRx Corp.'s largest unsecured creditors, wholesalers McKesson and Bindley Western, preparedness will keep the bankruptcy filing from causing major disruptions to their business.

McKesson Corp., citing concern over the weakened financial condition of some of its highly leveraged customers, took a $20 million charge (of which McKesson Drug accounted for about 80 percent) against its recently reported fourth-quarter earnings, and Bindley Western said it sets aside reserves for such eventualities.

McKesson, SupeRx Corp.'s primary wholesal-

See **Creditors** *page 29*

Hook president dies



Cunningham

INDIANAPOLIS — One month after being named Hook Drug's president, Thomas Cunningham, 51, died April 23 following a brief illness.

The 30-year Hook veteran who had succeeded Newell Hall upon Hall's retirement died of surgery-related complications, according to a source.

Cunningham had brought broad retailing experience to the top post, having served most recently as Hook's vp operations. When named president, he told an interviewer that his vision of the job involved getting back to merchandising basics, and developing people to their maximum potential.

"Chain drug store operators are going to have to be

See **Hook's** *page 29*

Harco buys 19 Eckerds; gains top Mobile spot

By Susan Ball

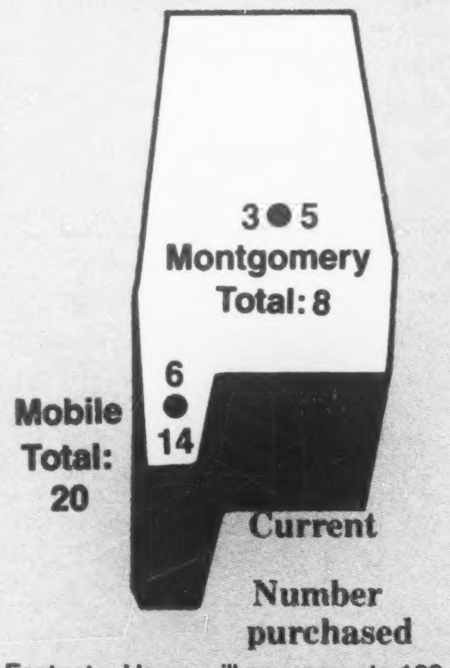
NORTHPORT, Ala. — Harco Drug has bought Eckerd Drug Stores' 19 stores in the Mobile and Montgomery markets for an undisclosed price, giving Harco a dominant position in Mobile while trimming Eckerd's Alabama presence to its strong base in the Birmingham market.

The 14 Eckerd stores acquired in Mobile bring Harco's store count there to 20, for a commanding share of that market, where competitors include Big B, K&B and Revco, as well as Wal-Mart, Phar-Mor and Drug Emporium. Revco's Alabama stores are up for sale, but Harco president Jim Harrison Jr. said with the Eckerd buy, "we've got about as much as we can say grace over."

Harrison told *Drug Store News* the acquired Mobile

See **Harco** *page 29*

Harco expands presence in Mobile & Montgomery, Ala.



Footnote: Harco will now operate 103 drug stores in Alabama and 110 stores chainwide. Eckerd keeps its 21 drug stores in the Birmingham market.

Sources: Harco, Eckerd

Drug Store News' *Store Manager Training and Continuing Education programs help develop store managers and pharmacists. For information, dial (212) 371-9400, x 380.*

SECOND CLASS

NEWS IN BRIEF

Bartell to open second-biggest unit

SEATTLE — At press time, Bartell Drugs was set to open its 33rd store May 21 in Lake Meridian. At about 14,000 square feet, the newly constructed store, situated in a strip center with a supermarket, is the chain's second largest. Both the Lake Meridian unit and a new store opened in March in Canyon Park Place shopping center have pre-recorded tapes, a section Bartell is introducing in a few stores.

At least one more store opening is planned this year; it's slated for September in Bellevue, according to Gordon O'Reilly, vp-merchandise for the chain.

Dot picks pharmacy and POS systems

KANSAS CITY — Dot Drugs, the 14-store deep discounter, has announced that it will use National Data Corp.'s DataStat Pharmacy application, and NDC's point-of-sale system. Dot was purchased from Wal-Mart by a four-person management team Feb. 1.

Both applications run off an IBM PS/2 computer, with a level of integration. For example, pharmacy files are automatically updated when drug purchases are made at the front-end POS. Pharmacy application features also include on-line pharmacy inventory records, price calculation, and medical records.

The point-of-sale application employs TEC M-2300 electronic cash registers and supports scanning with automatic inventory tracking and price look-up.

While there is a second IBM PS/2 in each store, it's not used for the pharmacy/POS applications, but as a work station.

McKesson promotes McGuire, Wilde

McGuire

Wilde

SAN FRANCISCO — McKesson Drug has promoted two regional vps, Robert McGuire and Hank Wilde, to the newly created positions of senior vp-operations.

In addition, McKesson has realigned its 46 distribution centers into seven rather than eight regions.

The organizational changes are aimed at achieving closer coordination between staff and operating units.

McGuire, 49, will be responsible for four regions with 21 distribution centers in the eastern United States. Zee Medical Products, the company's distributor of first aid supplies and emergency medical products, will also report to McGuire.

Wilde, 56, will have responsibility for three regions with 25 DCs in the western and central U.S.

Roth named president of Lamston

Roth

NEW YORK — Parent company Plymouth Lamston Stores Corp. recently announced that Neil Roth, former vp-marketing at Revco, has been named president of the Lamston variety/convenience store chain. Lamston has 27 stores in the New York metro area.

Before his employment at Revco, Roth was a merchandise director at Eckerd and president of the Carl's Drug chain of upstate New York.

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American mulls over sale of Buttrey Food and Drug

SALT LAKE CITY — Stung by legal challenges that continue to tie up its planned merger of its Lucky Stores and Alpha Beta divisions, American Stores is considering the sale of its Buttrey Food and Drug subsidiary.

Headquartered in Great Falls, Mont., Buttrey operates 44 supermarkets and combo stores in Montana, Idaho, Washington, Wyoming, and North Dakota. The company announced in mid-May that it will "wait to review the bids for Buttrey before making a final decision to sell the chain."

Bids are being solicited by Shearson Lehman Hutton Inc., and American reported that a "number of parties interested in the purchase" have surfaced, including an employee group led by Buttrey's managers.

American appeared eager to link the possible sale with its unsuccessful efforts to merge Lucky and Alpha Beta. Besides the fact that the division "is not yet performing at the levels desired" despite recent improvements in sales and earnings, American noted that its legal headaches stemming from the planned merger are a factor.

"The continuing litigation with the California Attorney General, which has prohibited American from merging Lucky and Alpha Beta, has forced the company to review all its marginal performing assets for possible sale," the company announced.

The U.S. Supreme Court handed American its latest legal obstacle in early May by ruling against the company's appeal and granting the State of California the power to exercise federal antitrust laws to block the merger while the matter is reviewed in court. That decision "will cause American Stores to return to federal court for an antitrust trial," the company announced.

Biggest draw is low prices:

Twin Valu's hypermarkets add new punch to Cleveland market

By James Frederick

EUCLID, Ohio — Twin Valu has opened its second hypermarket in this suburb east of Cleveland, and is readying a third site in the Cleveland area for opening late this year, as it scouts additional sites.

Based in Green Bay, Wis., Twin Valu is a subsidiary of Minneapolis-based Super Valu Stores, an $11 billion retail and wholesale conglomerate that also operates ShopKo discount stores and CUB Foods.

Pharmacy
n Valu Pharmacy · quick service · low prices
generic prescriptions free mail out service
Quick Service
Free mail out service
with generic prescriptions
97

Pharmacy is among key specialty shops that are highly visible in this 181,000-square-foot megastore format. H&BA and cosmetics are also prominently displayed.

Year-long test

The grand opening last month followed a year-long test of the concept in nearby Cuyahoga Falls, near Akron. Twin Valu is a 181,000-square-foot megastore featuring a broad assortment of food, drug, and general merchandise. Its managers insist on calling it a superstore rather than a hypermarket.

Indeed, the stores differ from hypermarkets in some significant ways. They are easier to shop than most hypermarts, thanks to careful merchandising and departmental adjacencies that make clear divisions between food, GM, H&BAs, clothing, and other broad categories. Departments are also clearly marked and the store's glitzy decor package eschews the bare-bones approach of some other megastore outlets.

In addition, specialty departments like pharmacy, a complete optical center, a one-hour photo lab, a restaurant, and an electronics/video center are within easy reach along the front of the store, where they face 51 scanning checkstands.

The stores also feature a deeper assortment of everyday brand-name items than do most hypermarkets or off-price stores. Twin Valu stocks some 65,000 items, including 40,000 non-food SKUs. To stay well-stocked, the stores take nightly shipments from Super Valu's Indianapolis-based wholesaler.

The huge format was developed as a marriage between the ShopKo chain of discount mass merchandise stores and CUB Foods, Super Valu's pioneering discount supermarket division.

> *The stores carry enough H&BA, greeting cards, cosmetics, and pharmaceuticals to rival any drug store; enough produce, fresh fish, meats, deli items, and other modern food specialties to give supermarket competitors the jitters; and enough general merchandise to give the K mart store down the road a serious challenge.*

The stores carry enough H&BAs, greeting cards, cosmetics, and pharmaceuticals to rival any drug store; enough produce, fresh fish, meats, deli items, and other modern food specialties to give supermarket competitors in Cleveland the jitters; and enough general merchandise to give the K mart down the road a serious challenge.

Twin Valu's biggest draw, however, is low price. The stores draw traffic by combining everyday, across-the-board discounts in all merchandise categories with so-called "TPRs" (temporary price reductions) on specially marked items featured throughout the store. Another low-price drawing card is the store's "Wall of Values" in a central location at the rear of the sales floor, where deal merchandise at sharp discounts is stacked floor-to-ceiling.

Twin Valu president Gene Bankers said the store can "maintain low pricing due to high volume, operating efficiencies, and by passing all manufacturers' allowances to its customers."

In the pharmacy, Twin Valu offers a $5 guarantee that its prescription prices are lower than those of its competitors. Generics are given heavy emphasis for their cost-savings.

OPINION

Good service generates customer loyalty

I went shopping for garage door grease last weekend in my local hardware store, not a particularly momentous event, except that I was impressed by what the proprietor did for a customer who came in looking for a painter's hat.

IN THE MARKET
BRUCE BUCKLEY

The proprietor strolled into the stockroom. When he came back with the hat he wordlessly pushed it across the counter.

"How much do I owe you?" the customer asked.

"No charge."

The customer hesitated. He was obviously uncomfortable because he hadn't purchased any paint at the store. "Come on," he insisted, thrusting his hand in his pocket. "How about a buck or something?"

"Nope," the owner replied. "The hat's on us. But if you need any paint in the future, think about us."

A simple, inexpensive gesture. A small bit of investment in customer relations and future business. It's the kind of free service that's been done by Main Street shopkeepers for generations, yet has been difficult for most large retailers to replicate with any consistency. And, of course, consistency of service and presentation is where the retail wars of the '90s are going to be won or lost.

We know one executive of one of the nation's most successful drug chains whose principal criterion for hiring a new store employee is: Does the candidate smile?

Too simplistic? Not to my mind. A bright smile on a gloomy day can be a better promotion than a free hat.

Speaking of free services, *Drug Store News* plans to launch a new electronic publication next month aimed at providing confidential job-wanted listings for executives who may be temporarily out of work because of consolidation, cost-cutting moves, or other dislocations so prevalent in the industry nowadays.

The publication is called JOBFAX.

As the name implies, the new publication will be sent by facsimile machine to a list of hundreds of key executives at drug chains and manufacturing companies nationwide. We plan to issue JOBFAX twice a month starting in June. Our intention is to provide this service on a completely confidential basis—no fees or later favors expected.

So, what do you do if you're a live wire in marketing, operations, pharmacy, MIS, or any other retailing discipline and you suddenly find yourself out in the cold, looking for another headquarters job? Just send a blind want ad describing your strengths and needs in 75 words or less to *Drug Store News*, Confidential Box 100, 425 Park Ave., New York, N.Y. 10022. Don't forget to include your name, address, and daytime telephone number. We won't publish it, but we'll need it for verification purposes.

We'll publish your blind listing in the first available JOBFAX, along with a free box number, to which interested companies can write. No charge to you or the companies. When letters arrive addressed to your box number, they'll be mailed to you unopened. The rest will be up to you and the interested companies.

What's in it for us? Well, for our part, a free listing in JOBFAX is a little like that painter's hat: a small investment in reader loyalty, which we're pushing to maintain in the publishing/information wars of the '90s.

Service is the challenge of the decade

Can a person become ill from reading incessantly about the importance of service? If you think so, pop two aspirin, dust off your resume and think about where you want to work next—because you may not be welcome at your drug chain for long.

THE HUMAN SIDE
AL HELLER

Fred Canning, Walgreens board member and former president, declared at the recent NACDS Annual Meeting: "One-third of all Americans between 18 and 65 always feel rushed today. Retailers who survive in the '90s will either respond to this time crunch—or lose a lot of customers."

Time poverty may well be the consumer cry of this decade. That will be manifested in value-bent, practical purchase decisions, and destination shopping, where people visit a store for a specific item and browse less. They'll be tougher to entice, even through the most clever marketing gambits—unless retailing basics are in place.

For the one in three Americans who visit their drug store at least once a week, and the 29 percent who shop there two to three times a month, service is the biggest improvement they would make in the drug stores they use. In a national survey of 1,000 consumers conducted for NACDS by Peter D. Hart Research Associates this spring, service came up by a 2:1 margin over prices as the most frequent *unaided, volunteered* suggestion on how to make stores better.

"Forty-five percent say their pet peeve is waiting in long lines while other cash registers are closed. . . to those whose time is at a premium. . . this is unforgiveable. . . People seem most riled by poor checkout service and poorly informed sales people," the study said. "Nothing could do more to improve the drug store's image than to upgrade the service."

Which services will be especially important to consumers between now and the year 2000? Which would they be willing to pay for? The survey probed respondents, and came up with some opportunities.

Among all adults surveyed, 45 percent said "they will pay higher prices or submit to the inconvenience of returnable containers for products that are environmentally safe." The same percentage said they want direct third-party billing.

FAX and postage services seem especially sought by working women and people who visit drug stores regularly; 39 percent of all adults polled found this idea "extremely or very appealing." Another 38 percent indicated they "will purchase products that help protect their skin from environmental damage."

Other notable followings: 35 percent favor interactive computer systems that give recommendations on health products; 34 percent would like shopping credits; 33 percent want to buy diagnostic aids at drug stores; and 32 percent would appreciate the offer of simple lab tests for strep throat cultures.

The NACDS-Hart survey unveiled a pattern of niche buying among consumers that is apparent in the way they use drug stores. Nearly seven in 10 buy medications in drug stores, but just four in 10 make front-of-store purchases. "There is a considerable decline between loyalty to the pharmacy and loyalty to the rest of the store," the report read.

"Americans have divided loyalties," it continued, noting that 53 percent of respondents "mainly use a drug store for some element of their purchasing. . . In every group of the population, a majority or plurality use a drug store for some purchases—but that means they also uses discount and supermarket stores."

Any drug store retailer who thinks service will not swing the consumer vote in his favor in the '90s ought to pop those aspirin and go. Otherwise, replace the bottlecap and start developing meaningful services. That is truly the challenge of the decade, and the one that holds promise of the greatest payback—loyalty.

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Boldest chains beat ethnic's overall growth

Overall sales of ethnic products in chain drug stores appear to be up moderately this year, with performance flatter in some weak economic regions of the country.

Plenty of bright spots are enhancing ethnic productivity: relaxers, hair color, skin care, styling aids, shaving and hair conditioning products are strong, buyers and distributors report, with growth as high as 15 percent to 30 percent over a year ago.

Many of these surges are evident, however, in categories with a relatively small dollar volume base such as skin, shaving, color and styling aids. Their growth is offset by the decline in curl kit and curl maintenance product sales, say buyers.

In the Northeast, the Midwest, and some portions of the the West Coast, buyers and distributors are reporting better than average increases in overall ethnic category sales, particularly for stores in dense ethnic neighborhoods.

Plenty of bright spots are enhancing ethnic productivity: relaxers, hair color, skin care, styling aids, shaving and hair conditioning products are strong, buyers and distributors report, with growth as high as 15 percent to 30 percent over a year ago.

Tough times

However, in some parts of the South and the Southwest (such as Oklahoma, Texas and Louisiana), where the economy is still relatively soft, some drug chains and ethnic distributors say sales are still soft on average, or at best, flat. One source said that in his stores in these markets, "times were tough" for ethnic hair care as well as other core H&BA categories.

There are also certain chains that are doing an above-average job with the category, and sources say sales in these companies are much better than the industry average.

Chains like **Eckerd**, **Big B**, **Perry**, **Peoples** and **Harco**, for example, are currently very aggressive with the category, giving it more space, pricing very sharply versus their competition, advertising the category more and working very hard with manufacturers and/or distributors to stay on top of sales and styling trends.

Many chains such **Arbor Drug**, **K&B**, **Walgreens**, **Longs**, **Thrifty** and **Pay Less** are doing reasonably well with the category, with sales in high volume stores still showing growth, in some cases up as much as 8 percent to 12 percent.

But they are also taking time to review their programs, looking for new strategies that may help them enhance growth for 1990 and beyond.

One buyer told *Drug Store News* that while his management is satisfied with ethnic's performance to date, they feel they have to adopt some new strategies with the category, both to prevent competition from eroding their share of sales and to enhance their own popularity with ethnic shoppers.

Chains are satisfied with ethnic's performance but feel they have to adopt new strategies to beat out the competition and enhance their popularity with shoppers. Photo courtesy of *ESSENCE*

Ethnic hair care preparations sales

(In millions of dollars, by trade class)

Drug	$159.7	$168.4	5.4%
Food	67.0	64.7	(3.4)
Mass merchandise	35.4	34.1	(3.4)
Total	262.1	267.2	2.0

Source: Nielsen Market Research/American Health And Beauty Aids Institute

Ethnic hair care preparations unit sales

(Millions of units, by trade class)

Drug	42.2	44.2	4.9%
Food	19.7	19.1	(3.1)
Mass merchandise	10.5	10.3	(1.9)
Total	72.4	73.6	1.7

Source: Nielsen Market Research/American Health And Beauty Aids Institute

"We're aware that ethnic shoppers tend to spend more on toiletry and beauty care items than white shoppers do, and we want to do more to court their total business," this source said.

"Overall, we're doing okay with the category," said Charles Monk, Harco's H&BA/candy buyer, "but that's primarily because we're expanding it and we're advertising more to attract the business.

"We're also trying to make more of a statement with ethnic, to improve our pricing, our assortment and our selection so we can say to our customers, 'We're giving you a choice on the items you need,' Monk added. "Selection and assortment are very important to ethnic shoppers, and we want to have that so we can make a better showing."

In fact, sources say that when they do "court" African-American shoppers, they get much stronger growth in overall store sales, with sales increases in the double-digit range, compared to an average 5-percent increase for the industry as a whole.

Some of the growth is due to chains featuring an enhanced product mix focused on growth segments and growth brands, more creative advertising using a variety of media ranging from direct mail to radio, and increased use of in-store circulars featuring a vast assortment of cents-off coupons and other bonus values.

In fact, sources say that when they do "court" African-American shoppers, they get much stronger growth in overall store sales, with sales increases in the double-digit range, compared to an average 5-percent increase for the industry as a whole.

Product assortment

The chains with the strongest performance are also paying much more attention to their product assortment. Either the chain's own ethnic product buyers or their approved distributors are weeding out slow movers or flat categories and replacing them with new and trendier products in the growth segments.

For chains with strong ethnic programs, three of the hottest segments right now are relaxers, up on average between 10 percent and 30 percent in sales, depending on the chain and region; styling aids, up 10 percent to 25 percent on average; and hair color, up between 10 percent and 30 percent.

Shaving products are also showing growth, up 15 percent to 20 percent; skin care is up between 15 percent and 35 percent on average and hair accessories are up, 30 percent to 35 percent, sources say.

Sales for curl kits and curl maintenance items, on the other hand, are still down between 10 percent and 15 percent on average, especially in the South and Southwest where curl styles have shown the strongest endurance.

Many buyers for the chains that are showing growth report they have cut back on the declining categories like curl kits to give more space to the growth segments like relaxers, color and styling aids.

As a result these chains are getting better turns as well as better dollar growth.

Chains finding aggressive ethnic plans pay off

Competition for the ethnic shopper is continuing to escalate this year as beauty and barber (B&B) shops continue to expand into new markets and better locations, and as mass merchandise stores and food chains step up their efforts to court African-American shoppers.

For drug chains that have already reacted to the challenge, sales are on the upswing.

Some chains such as Detroit-based **Perry Drug**, Virginia-based **Peoples**, Florida-based **Eckerd**, Alabama-based **Harco** and **Big B**, or California-based **Longs** have learned from their experiences with aggressive competitors that they have to be on the cutting edge when it comes to such critical areas as product assortment, merchandising and advertising.

The programs they have spent several years putting in place are now paying off with increasing sales and stronger profits.

Many ethnic customers have problems with dry hair, so there is a tendency to trust known brands as well as to buy maintenance products that add extra moisture to the hair.

More aggressive

At Peoples Drug, for example, Vicki Williams, cosmetics vp, reports that ethnic neighborhood stores are doing very well, reflecting the chain's recent decision to "get more aggressive" in this category.

Like Perry, Harco, Eckerd and many other drug chains facing intensified competition, Peoples has gotten much more competitive with its pricing and much more focused and efficient in promoting the category.

About a year ago, Peoples reorganized its planogram, electing to merchandise most of the category by family lines rather than product segments and they began weeding out slow turning, unproductive SKUs, thereby increasing turns and overall profitability with ethnic.

Mike O'Neil, ethnic buyer for the Atlanta division of **Harris Beauty Supply,** headquartered in Alexandria, Va., says that planograming by family makes it easier for customers to shop for hair care items. He also says it creates multiple sales, makes the department look more attractive and merchandising more efficient.

Sales are on the upswing for drug chains that have already reacted to the challenge of increased competition for ethnic business.

One major regional chain with stores in many ethnic markets just re-prioritized the ethnic category and their management is reporting double-digit growth.

They now have a four-foot ethnic set in at least 65 percent of their stores, and some stores have as much as 20 feet for ethnic.

This chain is now warehousing most ethnic products for their basic planograms and, according to their ethnic H&BA buyer, this has helped them improve their in-stock rate and grow sales.

In the South, where competition for ethnic customers is very tough and value a key sales incentive, chains like Eckerd, Harco, and Big B have zeroed in on their highest volume ethnic neighborhood stores, the stores that do 80 percent of their overall ethnic volume.

These chains use distributors who are expected to merchandise to the customer. The chains try hard to keep product assortments fresh and up-to-date, as one source put it, and they merchandise aggressively. Ethnic products on sale are usually merchandised as close to the front of the store as possible, on front ends or near the registers.

They price very competitively, especially on the more visible high-consumption items that shoppers buy very frequently.

At Harco Drug, headquartered in Tuscaloosa, Ala., Charles Monk, who oversees the ethnic category, says he has his distributor, **North American Beauty Supply,** track his competition's pricing on the top 25 fastest-selling items, and on these items, Harco always takes what Monk says is "the lowest retails" in the market.

Monk has been expanding space for ethnic products in his higher volume ethnic stores because he believes that his customers want a complete assortment when they shop a Harco drug store for hair care.

Promotions

Chains that have a number of stores clustered in neighborhoods with a high concentration of African-American shoppers will also do a variety of special promotions to reach their target customers.

In high volume ethnic stores, chains will often try to build traffic by doing live broadcasts with local disc jockeys from popular radio stations, or they will do some product sampling or even cosmetic makeovers.

These chains also do frequent mailings to neighborhood customers and they will do special features at major holidays like Easter, or for Black History Month and back-to-school periods.

They also try to do community service promotions tying in with local schools, churches, or charities.

At Peoples, Vicki Williams said their stores have done well by participating in the United Negro College Fund telethon on local television stations. Peoples' employees donate time by manning phones during the telethon plus the chain makes a donation.

Perry Drug has created a special art scholarship for local high school students and Scott Gorley, assistant vp for H&BAs and private label, reports that this has generated good will and driven sales.

Perry and Peoples also have coupon books that they distribute either by mail or right in the store. Peoples has also

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Drug chain cosmeticians can merchandise ethnic hair care with cosmetics. Cosmeticians—both behind the register and mingling with the customers as shown here—can answer questions and provide an added level of service.

Many drug chains depend on distributors to help stores stay in stock on the fastest-turning ethnic products. Stores that regularly have high out-of-stock levels lose customers as well as sales.

Ethnic consumers are buying more styling aids than ever, buyers say. There are many new products on today's market, and they are designed to make hair styles more versatile.

Wigs and hairpieces are excellent additions to ethnic hair care planograms. Tickets are high, and most women also buy additional maintenance products to clean and style the wigs.

Ethnic sales are on upbeat for drug store chains

Continued from page 11

followed **K mart**'s lead and is now producing a coupon book that is good for six months rather than one or two.

Since most of the cost of a coupon book is in the print run, these companies simply do one large run instead of several small ones. "It's a better way of allocating resources," one source said.

In the past, Harco Drug has experimented with a variety of community service promotions, including awarding scholarships to students in local colleges and sponsoring sweepstake promotions that benefit local churches.

Although Monk feels the chain has generated goodwill with these promotions, he says he still hasn't found the formula that will really have a dramatic impact upon sales. This year, he and North American Beauty Supply are trying to find a program that they can take chainwide.

Public service

In the mass merchandise and food store industry, there is also interest in promotions with a public service twist.

K mart, for example, is continuing to sponsor its "Send A Kid To Camp" promotion, and this year it extended it from March through June. The extension gives K mart more time to raise money so more kids can be sent to camp, plus it gives the chain a three-month-long promotional vehicle.

K mart is also scheduling its ethnic ads much more closely, breaking a new ad just a day or two after the old one ends, instead of waiting two or three weeks between ads as they have in the past.

In the food store industry, **Safeway** did a "Say No To Drugs" campaign recently in some of its ethnic stores. It promoted it with flyers, banners, signs, and full-page ads in leading market newspapers.

Many drug chains are also paying more attention to salons and watching out for those new maintenance items—like a relaxer with volume or body enhancements, or a conditioning gel—that will appeal to users who adopt a specific style.

Some **Drug Emporium** stores in Atlanta, for example, have added a new nail color line to their mix. The line is called Theon and it's been in distribution in beauty and barber shops for some years now. One source said Drug Emporium brought in the line because of customer requests. He described it as "bright, vibrant colors. . .with the appeal of having limited distribution."

Many chain buyers use distributors to help them manage their ethnic departments. Sources like Charles Monk and Scott Gorley told *Drug Store News* that distributors, as specialists, know the category and fashion trends better than the average drug store buyer who doesn't have enough time to stay on top of style and fashion changes or regional preferences.

"We expect them to react to category changes and to keep us informed. Generally we consult with them every six to eight weeks to see where and what we should cut back and what we should add," said Monk.

Monk also pointed out that distributors who rack job stores can save drug stores lost sales by making sure they are always in stock on the hottest selling items.

"We have a lot of part-time people and it's hard for them to stay on top of what's selling. Also sometimes an item will do well in Tuscaloosa, but not in Birmingham, so we just feel we're better off with a paid service."

Monk said that years ago Harco did warehouse ethnic products, but gave it up because they were constantly out of stock on the items that were selling well, plus they were missing hot new products as they came along.

Distributor autonomy

Some chains give their distributors the autonomy to add potentially hot new items to the mix or to delete stale items as they think best. Others reserve the right to make such changes from headquarters, but their reaction times can vary from 6 to 8 weeks to 6 months or more, depending on how flexible they are in updating planograms.

If chains take too long to react, of course, they miss their chance to capture sales from new item at a time when they are at their strongest, the early stages of their launch when they are heavily supported by manufacturers with print or radio ads.

To avoid this, some chains such as Perry, Eckerd and Peoples will let their distributors put in new items whenever they feel such additions make sense.

A decentralized chain like Longs will also give store managers the right to add or delete as they think best, and this approach, one source told us, lets individual stores merchandise to the customers. When enough customers ask for something or when a distributor recommends something, "we try to stock it," he said.

Other chains, such as **Sav-on**, leave some flex space in their planogram so buyers can take a chance on a new item, stocking it on a trial basis to see how well it will sell.

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Ethnic brands & segments' outlook bright

This year, ethnic hair color is doing exceptionally well, up about 10 percent, according to many buyers and ethnic distributors.

Several buyers said Dark & Lovely was "growing and growing" as it achieves broader distribution. Dark & Lovely's Reviving Colors line was also singled out for above-average growth. In some chains sales of Revlon's Creme of Nature hair color were said to be good, but in some regions buyers reported it was just doing OK.

Luster is still doing very well with its Pink Oil Moisturizer. One source said the movement was "unbelievable." Its S Curl line is also said to be showing very strong growth.

PCJ, which is a press-and-comb preparation in a jar, is doing well. One buyer said he thinks its growth comes from positioning. He said as far as he knows it is the only value-priced mild relaxer targeted at mothers who can use it on their daughters' hair. It sells for about $3 less than the premium-priced mild relaxers.

Another value-priced line, Supreme's Raveen, recently went up about 25 percent in price, but most sources said it hasn't hurt Raveen's sales. The line is continuing to sell well in its category. So is Raveen's Duke relaxer for men.

There are also some relaxer kits now out that are formulated to add volume or body to the hair as they relax it, and several sources said these either look promising or are starting off strong. Pro Line's Soft & Beautiful Volume Plus and Carson's Excelle and Excelle Plus were singled out as looking good.

Right now no-lye relaxers without sodium are selling better than sodium relaxers, most sources said. But sodium relaxers still have a core of loyal users because the formulation is stronger and can be more effective with medium or course hair. Now Revlon is launching a value-priced sodium line under its Creme of Nature label, and most buyers think this will also do well this coming year.

Johnson's premium-priced conditioning relaxer Gentle Treatment, Carson's Dark & Lovely relaxer kits, Pro Line's Soft & Beautiful kits, and Revlon's relaxer kits are currently the best-selling brands in the relaxer category, sources said.

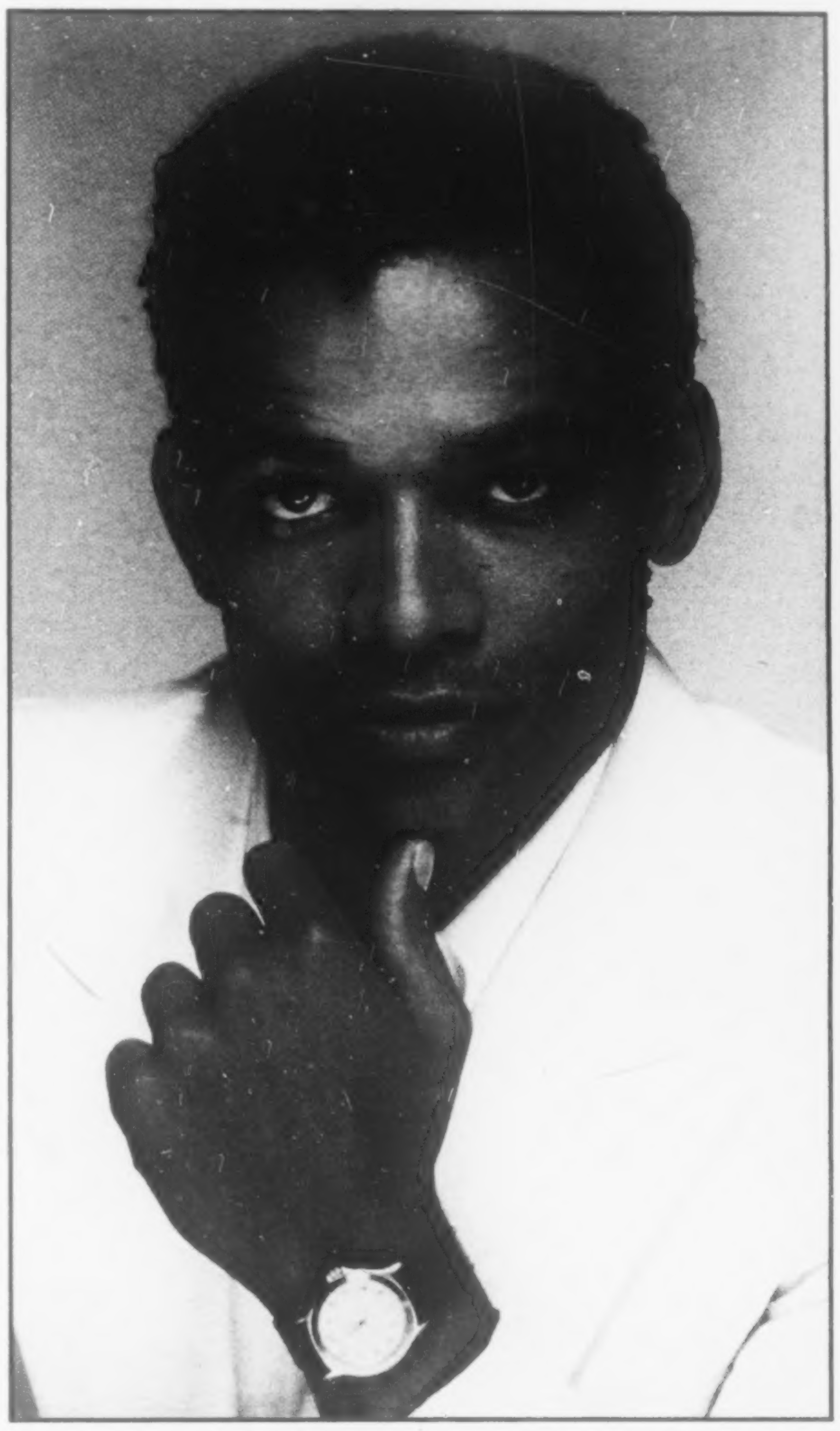
Buyers also reported that Soft Sheen's now almost one-year-old Optimum Care line is still doing well, with some sources saying it was doing "phenomenally well," especially the shampoo.

Top 20 best-selling ethnic hair care products by unit sales

(First quarter 1990)

1. Let's Jam Conditioner/Styling Gel, 4 oz.
2. Luster Oil Moisturizer, 8 oz.
3. Magic Shaving Powder Gold, 4.5 oz.
4. Right On Curl Activator-Bottle, 8 oz.
5. Magic Shaving Powder Blue, 5 oz.
6. Dark & Lovely Creme Relaxer-Plus
7. Dark & Lovely Creme Relaxer
8. Care Free Curl Moisturizer, 8 oz.
9. Murray's Superior Hair Pomade, 3 oz.
10. Summit Pre Con Gel, 4 oz.
11. Ampro Protein & Styling gel, 4 oz.
12. Blue Magic Conditioner Hair Dress, 12 oz.
13. Right On Instant Moisturizer, 8 oz.
14. TCB Hair & Scalp Conditioner, 8 oz.
15. Blue Magic Bergamot Hair & Scalp Conditioner, 12 oz.
16. Care Free Curl Moisturizer, 16 oz.
17. Magic Shaving Powder Red, 5 oz.
18. S Curl Activator, 8 oz.
19. Pro-Line Perm Repair, 8 oz.
20. Ultra Sheen Conditioner Regular, 2 oz.

Source: Standard Distributing Co., Detroit.



Men are wearing their hair short. This trend has helped sales of styling products, including a come-back for pomades. Photo courtesy of *ESSENCE*

Drug store buyers agree that style trends drive sales in the ethnic hair care category. Today's look is sleek, relaxed, and varied. Photo courtesy of *ESSENCE*

Jim Normandin, who buys ethnic products for **Beauty Enterprises**, estimated his ethnic shampoo sales were up about 10 percent, almost entirely due to the Optimum shampoo. "At $4.25 for 16 ounces, it's the first real value in ethnic shampoos," he said.

Dark & Lovely is extending its maintenance line with a new oil moisturizer, hair spray, and holding spray that is expected to sell well.

Many sources also said that oil moisturizers in general are doing especially well this year. The growth is probably due to the fact that oil moisturizers are a very versatile styling aid. Buyers said they can be used with all kinds of hair styles, from relaxed through curled hair.

Summit Labs' Pre Con styling gel is doing very well. Summit's Liv conditioners and Mend hair reparative were also performing well, and a new item, Penetrator 37, looks promising.

Most sources said hair foods, meaning products that nourish the hair, is a good, solid niche category with steady, consistent sales, mostly to older consumers. However, Chuck Lewman at **Paul's Sundries** thinks the upcoming launch of some new "liquid" hair foods might open the category up to younger consumers, who may have been reluctant to try the solid hair foods their parents were using.

Scientific Research's Le Kair line has a new liquid food that Lewman thinks could do well, and Keystone may also be soon bringing out a similar "bridge" food under its Long Aid brand.

Across the country, the Always Natural line of conditioning products, made from all-natural ingredients, are continuing to do very well. Super Gro and 9-11 were frequently mentioned as being exceptionally strong sellers. A number of buyers also singled out J&M's Isoplus as also selling exceptionally well.

Many blacks have problems with dry hair or with hair that breaks easily because of ironing, blow drying, or chemical processing. That has helped sales of moisturizing/conditioning products, and several sources reported that Lustrasilk's MoistureMax line, in particular, has been doing very well.

Several suppliers—including Georgia-based **Ben Sheftal Distributors**, California-based Paul's Sundries, and Baltimore-based **North American Beauty Supply**—also report strong sales of Vigorol and Ampro styling gels.

Chuck Lewman of Paul's Sundries says his strongest growth is coming from what he calls "basic" styling aids good for all hair types, like the Pre Con and Ampro gels. Let's Jam, which is aimed at the younger consumer, is "flying" out of his warehouses, and he thinks Soft Sheen's new Sporting Waves High Five gel and sheen spray (which is just shipping), aimed at young black men, is also going to do very well.

Pearlman at North American also report similar success with Let's Jam. Larry Pata, sales manager at **Standard Drug,** called it "fantastic."

Pata thinks that the newest styling line from Dowbrands, New Era—which consists of a moisturizing cream, a finishing spritz, and an oil sheen spray—will also do well. Expectations are also high for the latest Worlds of Curls styling/ maintenance line, Bodi.

Out in the Midwest, Lou Orenstein, president of **Judith Lynn Distributors,** said that spritzes and gels are doing terrific, particularly Pro Line's Finishing Lotion and Soft Sheen's Finishing Lotion.

"Customers like these products because they're not as stiff or as hard on the hair as some of the mass-

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Ethnic shoppers will spend $3 billion on toiletries this year

	1982	1987	1988	1989*	1990*
Dollars spent (billions)	$1.7	$2.7	$2.8	$2.9	$3.0

*—Projected
Source: American Health And Beauty Aids Institute (Business Trends Analysis)

Buyers optimistic about many ethnic brands

Maybelline

In many high-traffic ethnic neighborhood stores, mass market products are mixed in with ethnic brands in one planogram: all color together, for example, to make shopping easier for consumers.

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market products. They hold well, but they also leave the hair softer. Sales are also strong for the Alberto Culver TCB line.

In skin care, Richard Eichholz, president of Ben Sheftall Distributors, says Ambi's sales have been especially strong, sparked by advertising and a growing base of brand-loyal customers.

At Beauty Enterprises in Hartford, Conn., buyer Jim Normandin said ethnic skin care sales are up about 35 percent.

Standard Drug's Pata said that in skin care, products with cocoa butter are still very popular, including Palmer's Cocoa Butter and Woltra's Stick Cocoa Buter. The Dr. Fred Palmer skin bleachers and whiteners are also doing well at Standard. So is Chatham Labs' Nadinola skin cream.

Some cosmetics lines show growth

Cosmetics is holding its own. It's not growing dramatically, but some segments are showing growth.

Posner continues to be the strongest ethnic line. It dropped its nail care line, which was its weakest line, and repackaged its best sellers in face, lip and eye.

One source said the new packaging looks great and is also more compact and space efficient. He estimated that stores should be able to get one facing of the entire assortment in two or two-and-a-half feet.

At **Drug Emporium** headquartered in Atlanta, the Zuri line also does well in some stores. Buyer Kathy Covault said the popularity of her ethnic cosmetics lines varies by neighborhood. In some stores, Zuri is the best-selling line. In others, it's Posner.

Sales in the men's market have been given a nice, strong jolt by the increasing popularity of the stacked or high-top look. Most buyers reported that this look is now popular with boys and young men nationwide, and to maintain it, consumers need at least two or three maintenance products, usually a relaxer for the top and pomades for the sides.

Soft Sheen's new launch of Sporting Wave High Five Moist Gel and Sheen Spray is packaged to appeal to users of this and other currently popular styles, and buyers are betting it's going to do well.

In the pomade category, where some buyers are seeing a resurgence of growth, Murray's is still number one, Standard Drug reports. Other men's lines doing well: Dax Wave and Grow, Soft Sheen's Sporting Wave, and Posner's Easy Wave.

In shaving products, buyers said Magic Shave Gold, Royal Crown cream shave, Magic's cream shave, and Palmer's No Blade are doing well.

The competition intensifies for the ethnic dollar

BEAUTY BEAT

ELIZABETH PARKS

Most buyers said 1989 and the first half of 1990 have been marked by increasing competition from mass market discount chains, food chains, and beauty and barber (B&B) supply stores for the ethnic consumer's toiletry business.

Buyer said the competition from chains like **Wal-Mart, K mart, Drug Emporium,** and **F&M** was intensifying, and noted that B&B shops continue to proliferate, especially in urban areas.

In Oklahoma, Kent Humphreys, president of **Jack's Service Co.**, a distributor, said he is seeing a continuing shift of ethnic sales away from drug stores and into mass merchandise and B&B stores—because they are "less structured than drug and food chains, and therefore more responsive to shifts in consumer purchase preferences."

B&Bs especially dangerous

The independently-owned B&B shops are especially dangerous as competitors. At the **American Health and Beauty Aids Institute,** executive director Geri Duncan Jones estimated that company's year-to-date sales of ethnic products are up between 30 percent and 40 percent versus last year.

Because of B&B's relatively low overhead as family-owned businesses, they can price much lower than most drug chains. B&B's offers service, and is way out on the cutting edge when it comes to stocking the latest items and offering the fullest assortments.

Until now, B&B stores have been the most visible in urban markets like Detroit, Chicago, Newark, and New York, but now they are moving into new markets such as Los Angeles and Oakland.

The West Coast is also just starting to feel the impact of deep discounters such as **Drug Emporium.**

Soon, too, Wal-Mart will begin opening stores in the California region. Some buyers are gearing up to expect the worst, anticipating intensified competition across a variety of H&BA and cosmetics categories, including ethnic.

As Humphreys said, it is really harder for highly structured organizations such as drug and food chains to compete with the larger mass merchandise chains as well as the more flexible deep discounters and B&B retailers.

Unless a drug store has a cosmetician trained in ethnic products, it's hard for it to provide service, and if an ethnic department is strictly planogramed, it is also hard for drug chains to react quickly to hot new products.

Many use distributors, said a source who manages toiletries for a major drug chain, because they "know the professional side of the business better than we do and they can spot potentially hot new items faster and move faster to get them into the stores."

Charles Monk, ethnic buyer for **Harco Drug,** pointed out that distributors base orders on what sells by region, and they maintain the category at store level, making sure individual stores stock the in-demand products. "We feel we're better off with a paid service," he says.

For the drug chains that are responding to customer needs for assortment, selection, competitive pricing, and stronger merchandising, growth has materialized in spite of the difficulties.

"The B&B stores are really growing," says AHBAI's Jones, "and unless chains look out, the B&Bs are going to be getting more and more sales. If the product selection isn't there, consumers won't shop that store. Price alone can't do it."

Many food chains and their wholesalers are also trying to capture more ethnic sales.

Kroger, Safeway, Alpha Beta, Vons, and **Ralphs** are among chains expanding their ethnic product assortments, as are grocery wholesalers and cooperatives like **Certified Grocers.**

Some drug wholesalers are also doing the same.

Keeping in stock

This year, several distributors have worked out programs with both food and drug wholesalers designed to keep them, and their chain and independent customers, in stock on the fastest-moving ethnic items.

The programs are similar to those that ethnic suppliers participated in with drug chains, except they don't usually involve rack jobbing.

The distributors recommend the brands and lines for wholesalers to carry, just as they do for many drug chains. They then ship the products into the wholesaler's warehouse, helping to round out that wholesaler's product mix with the items that sell the fastest in ethnic toiletries.

Partly as a result of such collaborations, many food chains now devote more space to ethnic products, expanding their product mixes, updating and strengthening their product selections, and advertising select products more frequently at competitive prices.

DrSN *Council of Cosmetic and Fragrance Advisors*

Retailers	
Denise Boyer	Longs Drug
Kathy Covault	Drug Emporium
Beth Dugan	Rite Aid
Jan Evans	Perry
Stephanie Hayter	Genovese
Steve Lubin	Walgreens
John Mirmelstein	Revco D.S.
Mike Russell	Hook-SupeRx
Elaine Sartini	American Stores
Vicki Williams	Peoples
Manufacturers	
Jerry Abernathy	Coty
Gary Balkema	Shulton
Roy Benjamin	Cosmair
Paul J. Block	Revlon
John Byers	Maybelline
Marcia A. Levis	Almay
William McMenemy	Del Labs
Joseph Monteleone	Chesebrough-Ponds
Herm Schnitz	Max Factor
Arthur Schwalb	New Products Report
John Small	Quintessence

Quarterly earnings up at SDM, Peoples

MONTREAL — Shoppers Drug Mart and Peoples Drug Stores, the Canadian and U.S. components, respectively, of Imasco Ltd.'s Drug Retailing Group, posted increased operating earnings for the first quarter, which ended March 31.

At Shoppers Drug Mart, first-quarter operating earnings rose 19 percent, to $16.8 million (Canadian) from $14.1 million in the year-earlier period. Peoples' operating earnings for the first quarter were $3.3 million (U.S.), versus $2.1 million in the comparable quarter last year.

Commenting on the results, Purdy Crawford, Imasco's chairman, president, and ceo, said SDM's first-quarter results "are significantly ahead of the prior year," and that Peoples' earnings "are continuing to recover."

Imasco Ltd. reported increases in sales, revenues, and earnings for the quarter and declared a quarterly dividend of 32 cents on its common shares.

Imasco's net earnings for the three months were $66.6 million (Canadian), up 23 percent from the $54.1 million reported for the year-earlier quarter.

First-quarter systemwide sales of consumer products and services in the company's tobacco, restaurant, drug store, retail, and financial services business in Canada and the United States rose 14 percent, to $3.7 billion (Canadian) from $3.3 billion last year. Revenues for the three months were $1.4 billion, a 15 percent gain over the year-earlier $1.2 billion.

Imasco's operating earnings for the quarter were $137.3 million, compared with $125.7 million in the comparable period last year.

"The principal thrust of our current business plan," Crawford said, "is to get more from the assets we have, and this is being achieved."

He added, "The first-quarter results are very encouraging. Each operating company has improved its performance over last year, and we are satisfied that Imasco is on course for another year of earnings growth in 1990."

Medicine Shoppe's net earnings up 23% in qtr.

ST. LOUIS — Medicine Shoppe International posted a 23 percent increase in net earnings and a 24 percent rise in earnings per share for the second quarter, which ended March 31.

Second-quarter net earnings were $2.1 million, compared with $1.7 million for the period last year. Retail store sales reported by franchised pharmacies were up 19 percent, to $127.8 million for the quarter. Comparable-store sales increased 13 percent.

MSI's revenues rose 15 percent for the quarter, to $8.2 million from $7.1 million, and 16 percent for the six months, to $16.4 million from $14.2 million.

Drug Emporium ends fiscal year with $8.2 million in net income

COLUMBUS, Ohio — Drug Emporium reported net income of $8.2 million on sales of $492 million for the fiscal year ended Feb. 28, up from net income of $7.98 million on sales of $407 million last year.

The deep-discount chain also declared a cash dividend of 5 cents per share. The board of directors authorized the repurchase of up to 120,000 shares of the company's common stock, in addition to a 130,000-share repurchase previously authorized.

Fourth-quarter net sales increased 22 percent, to $137 million from $113 million a year ago.

Net income was $2.7 million, or 21 cents a share.

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Vol. 12, No. 10 May 28, 1990

MARKET DIARY:

Largest Dollar Gainer	Warner-Lambert	$ 8.38
Largest Dollar Loser	Medicine Shoppe	$ − 4.50
Largest Percentage Gainer	Kroger	17.89%
Largest Percentage Loser	Zenith Labs	−19.05%

Advances	38
Declines	13
Unchanged	5
New highs	10
New lows	2

	Close 5/1/90	Close 5/15/90	Net Change	Percent Change
Drug Store News Index	2792.98	2889.95	96.97	3.47
Dow Jones Industrial Average	2668.92	2822.45	153.53	5.75
Standard & Poor's 500-Stock Index	332.25	354.28	22.03	6.63
N.Y.S.E. Composite	182.22	193.31	11.09	6.09
Value Line Index	232.89	242.54	9.65	4.14

Source: Nordby International Inc., Boulder, Colo.

Exch	Company	Ticker Symbol	Closing Price 5/1/90	Closing Price 5/15/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	18.00	19.75	1.75	9.72	18	0.16	0.81	24.75	14.75
OTC	Big B	BIGB	10.75	11.38	0.63	5.81	23	0.16	1.41	15.25	10.50
OTC	Drug Emporium	DEMP	6.88	7.38	0.50	7.27	12	0.20	2.71	16.38	6.25
NYS	Fay's Inc.	FAY	8.00	8.38	0.38	4.69	12	0.20	2.39	15.00	7.75
ASE	Genovese Drug	GDX.A	8.25	7.88	−0.38	− 4.55	19	0.24	3.05	12.50	7.50
OTC	Leroy Pharmacies	LERY	4.88	4.88	0.00	0.00	− 81	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	37.38	40.38	3.00	8.03	13	0.96	2.38	48.50	36.75
OTC	Medicine Shoppe	MSII	25.75	21.25	−4.50	−17.48	21	0.16	0.75	26.38	17.50
NYS	Perry Drug	PDS	7.75	7.88	0.13	1.61	14	0.00	0.00	12.88	7.00
NYS	Rite Aid Corp.	RAD	32.88	34.25	1.38	4.18	17	0.88	2.57	41.13	29.50
NYS	Walgreen Co.	WAG	42.63	43.88	1.25	2.93	17	0.80	1.82	50.25	38.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	25.00	26.25	1.25	5.00	15	0.40	1.52	27.25	20.50
OTC	Bindley Western Ind. (H)	BIND	11.88	12.00	0.13	1.05	20	0.00	0.00	12.75	7.88
OTC	Cardinal Distribution	CDIC	22.00	23.75	1.75	7.95	18	0.08	0.34	25.00	16.25
OTC	Durr-Fillauer	DUFM	22.38	21.25	−1.13	− 5.03	14	0.28	1.32	25.88	18.50
ASE	Ketchum	KCH	2.13	2.00	−0.13	− 5.88	− 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	32.63	34.25	1.63	4.98	15	1.60	4.67	39.75	31.75
ASE	Moore Medical	MMD	6.00	6.13	0.13	2.08	− 9	0.00	0.00	15.13	6.00
NYS	Owens & Minor (H)	OMI	11.88	12.63	0.75	6.32	34	0.24	1.90	13.38	10.63
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	67.63	71.13	3.50	5.18	18	1.68	2.36	71.50	55.25
NYS	American Home Products (L)	AHP	48.88	52.00	3.13	6.39	14	2.12	4.08	55.13	45.88
NYS	Baxter International	BAX	20.88	22.88	2.00	9.58	− 53	0.64	2.80	26.25	20.50
OTC	Block Drugs Co.	BLOCA	34.75	34.75	0.00	0.00	13	0.68	1.96	38.00	33.00
ASE	Bolar Pharmaceutical	BLR	8.63	7.63	−1.00	−11.59	21	0.16	2.10	32.25	3.50
NYS	Bristol-Myers Squibb (H)	BMY	56.25	59.25	3.00	5.33	38	2.12	3.58	60.50	46.38
NYS	Carter-Wallace	CAR	50.88	48.63	−2.25	− 4.42	15	0.80	1.65	60.50	44.63
ASE	Columbia Labs	COB	11.00	10.88	−0.13	− 1.14	− 11	0.00	0.00	19.63	6.25
ASE	Forest Labs	FRX	37.50	39.50	2.00	5.33	27	0.00	0.00	44.50	29.25
NYS	ICN Pharmaceutical (L)	ICN	3.25	3.00	−0.25	− 7.69	0	0.00	0.00	6.88	3.00
ASE	Lee Pharmaceutical	LPH	1.63	1.63	0.00	0.00	− 7	0.00	0.00	4.38	1.50
ASE	Leiner P. Nutrition	PLI	9.75	10.00	0.25	2.56	16	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co. (H)	LLY	66.88	71.75	4.88	7.29	21	1.64	2.29	73.38	53.00
NYS	Marion Labs	MKC	25.00	24.00	−1.00	− 4.00	83	0.60	2.50	36.63	21.00
NYS	Merck Co.	MRK	73.25	78.25	5.00	6.83	20	1.80	2.30	80.75	66.00
NYS	Mylan Labs	MYL	21.50	22.75	1.25	5.81	32	0.20	0.88	25.38	9.38
NYS	Par Pharmaceutical	PRX	6.38	5.63	−0.75	−11.76	281	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	56.75	60.00	3.25	5.73	15	2.40	4.00	75.75	54.50
NYS	Rorer Group (H)	ROR	69.75	66.88	−2.88	− 4.12	31	0.84	1.26	70.00	36.13
NYS	Schering Plough (H)	SGP	82.63	87.75	5.13	6.20	20	2.24	2.55	88.25	63.38
NYS	Syntex Corp.	SYN	50.25	53.75	3.50	6.97	20	1.60	2.98	54.50	40.00
OTC	Taro-Vit Industries	TAROF	0.88	0.88	0.00	0.00	− 29	0.00	0.00	1.88	0.88
NYS	Upjohn Co.	UPJ	36.38	38.75	2.38	6.53	23	1.00	2.58	42.13	29.38
NYS	Warner-Lambert	WLA	105.38	113.75	8.38	7.95	18	3.04	2.67	118.75	86.50
OTC	Zenith Labs	ZENL	5.25	4.25	−1.00	−19.05	− 1	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's (H)	ABS	57.88	61.00	3.13	5.40	21	0.96	1.57	63.00	44.75
NYS	American Stores	ASC	62.63	64.88	2.25	3.59	19	1.12	1.73	72.50	51.38
NYS	Giant Food	GFS.A	27.00	29.13	2.13	7.87	16	0.60	2.06	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	52.75	59.50	6.75	12.80	0	0.00	0.00	65.38	48.25
NYS	K mart	KM	32.63	33.88	1.25	3.83	21	1.72	5.08	44.88	32.13
NYS	Kroger	KR	11.88	14.00	2.13	17.89	−156	0.00	0.00	19.75	11.75
NYS	Melville Corp.	MES	46.50	48.75	2.25	4.84	14	1.40	2.87	53.63	41.13
OTC	Fred Meyer	MEYR	13.50	13.50	0.00	0.00	− 48	0.00	0.00	23.00	13.00
NYS	Penney, JC	JCP	63.63	65.25	1.63	2.55	10	2.64	4.05	75.63	54.88
NYS	Safeway	SWY	12.38	12.13	−0.25	− 2.02	243	0.00	0.00	12.88	11.63
NYS	Smith's Food & Drug (H)	SFD	28.00	30.50	2.50	8.93	25	0.28	0.92	31.00	20.50
NYS	Wal-Mart (H)	WMT	50.25	53.50	3.25	6.47	27	0.28	0.52	55.13	37.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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DRUG STORE NEWS®

SECOND CLASS

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GALLUP '90 CONSUMER STUDY

Rewards await chains that court male shoppers

As the chain drug industry matures, the pressure to generate "real" sales growth intensifies.

Many drug chains are reacting to the challenge by putting more time and energy into creating sophisticated marketing campaigns that are aimed directly at target shoppers, such as teens or young mothers.

The male consumer, of course, is also a natural candidate for target marketing, but many buyers feel there hasn't been enough research focused on the buying habits of male shoppers for many chain drug stores to know just how to court this shopper.

That, of course, is one of the main reasons *Drug Store News* thought it was important to include male shoppers in its third annual Gallup survey of consumer shopping preferences.

In addition to interviewing over 500 women to determine their shopping preferences for selected grooming aids, Gallup also interviewed a total of 510 men for this year's study.

Gallup specifically explored the average male's shopping preferences in several key categories: shaving implements, shaving creams and lotions, aftershave and colognes, hair coloring, hair thickening, hair styling products, and skin care.

It did the same type of analysis on women shoppers to determine usage and buying preferences in the hair styling, facial moisturizers, and bath and shower products categories. *Drug Store News*' report on women's purchasing habits will appear in the next issue of *Drug Store News*, June 18.

In this issue, the focus is on how men shop for grooming aids. In addition to finding out how many men actually use these products, how often they use them, and which brands they most often prefer, *Drug Store News* wanted to find out whether men actually do their own purchasing of these products, and where they prefer to shop for them.

The Gallup survey found that, contrary to popular belief, most men buy their own grooming aids; and just like women, convenience is a major factor in determining where they'll shop.

"We found that contrary to popular expectations, most male shoppers do buy their own grooming aids; and like female shoppers, many make their purchases in drug stores. Also, like female shoppers who shop in drug stores, men say "convenience" is one of the main

Continued on page 37

NEWS IN BRIEF

NACDS names key officials

ALEXANDRIA, Va. — After naming Richard Eils, president of Thrifty Corp., to be NACDS chairman for this year, the board of directors elected two other prominent industry executives to top-level posts.

Philip Beekman, chairman and ceo of Hook-SupeRx, Inc., is vice chairman, succeeding Eils. Harvey Rosenthal, president of CVS, is treasurer, succeeding Beekman.

Eils, an NACDS board member since 1986, succeeds Gerald Heller, president of May's Drug Stores, in the trade group post. Beekman has been on the NACDS board since 1987, and Rosenthal has served on the board since 1986.

In addition, NACDS has elected David Eisenberg, president of Peoples Drug Stores to its board. Jack Futterman, chairman of Supermarkets General, and Henry A. Panasci, Jr., chairman of Fay's, joined the executive committee.

NACDS president Ronald Ziegler also announced the appointment of Christopher Gallagher to the post of senior vp-administration and communications. Gallagher has served as director of meetings administration since 1986.

Revco expo helps draw 200,000

CLEVELAND — The Revco Health and Beauty Expo, at the Cleveland Convention Center, was part of a mammoth three-day event in May sponsored by the drug chain, which has built up mounds of goodwill through such fitness-oriented affairs.

The Expo ran the same weekend as the Revco-Cleveland Marathon and 10K races, and Criterium Bike Races, which have developed a following since the late-1980s. In all, over 200,000 consumers attended.

More than 150 Revco vendors exhibited at the Expo, where free health screenings were offered by Cleveland MetroHealth Medical Center. Celebrities included Corbin Bensen, Mary Lou Retton, Jim Palmer, Suzanne Somers and Bob Griese.

K mart revving up pharmacy

TROY, Mich.— At its recent stockholders meeting, K mart chairman and chief executive Joseph Antonini detailed the company's accelerated, $2.3 billion expansion and modernization program, which has been set with the goal in mind to "develop a brand new chain of 2,500 full-size K mart stores by 1995 in the U.S."

K mart, he said, will enlarge, refixture and remerchandise 620 existing stores, build 280 new units to replace older, smaller units, and totally refurbish the remain 1,260 stores "to make them the equal of our newest prototype store." Antonini also noted that consumer acceptance of the chain's new prototype has been "very rewarding."

K mart's new format features a prominent pharmacy at the front end, with expanded selection of health and beauty aids and related drug store merchandise in a modern setting. Those features will play a big role in new and enlarged K mart stores, the company has indicated.

O&M names Dozier cfo

RICHMOND, Va. — Owens & Minor, Inc. has named Glenn J. Dozier its new vice president-chief financial officer, the company announced.

Dozier comes to O&M from AMF Bowling, Inc., where he had been cfo and vp of administration and control. He received a B.S. from Virginia Tech in 1972 and an M.B.A. from the Colgate Darden School of Business at the University of Virginia in 1975.

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Invigorated K&B planning Alabama expansion thrust

K&B
Drugs
OPEN 24 HRS.

K&B's first 24-hour store, located at the corner of Gentilly Boulevard and Elysian Fields Avenue in New Orleans, is the chain's top-volume store as well as being No. 1 in sales of K&B's locally famous ice cream.

K&B's retrofitted store at Claiborne and Jefferson avenues features new location for cosmetics and toiletries on a front corner. The promotional-seasonal aisle also moved up front.

By Susan Ball

NEW ORLEANS — Like a dormant plant after a long dry spell, K&B Drugs is putting out new shoots; a survivor in a depressed oil economy where less hardy businesses have withered.

Since the mid-eighties, K&B has opened only one or two stores a year, but has already opened four stores this fiscal year and plans to unwrap at least four more before the end of 1990. The thrust will be in the Montgomery, Ala., market, where K&B expects to have six stores by year's end.

Moreover, the 85-year-old company will start rolling out a new POS credit card system from Stratus this month to its 155 stores.

And it's looking to start automating its merchandising and distribution systems later this year.

New ad emphasis

In addition, K&B has shifted from a heavy ROP newspaper advertising emphasis to a circular program, significantly increased TV exposure and fewer print ads.

The chain will also extend planogramming efforts to more core departments, in addition to current planogramming of cosmetics and H&BA, and is relocating and expanding some departments, as well as modifying adjacencies. Lance Clark, who joined K&B this year as vp-marketing, said that some realignment of buying departments and more specialization of buying functions are also planned. In addition, endcaps and wings are getting more systemized attention, in-store signage has been streamlined and aisles have been cleared of things like floor displays, for a cleaner look, he added.

President James LeBlanc credits K&B chairman Sydney Besthoff III's foresight as pivotal in seeing K&B through some lean years. "He saw the dark clouds looming on the horizon, and in 1984, K&B turned off the [expansion] valve. We didn't want to open stores not knowing what would happen."

Facing a falling economy, the company changed its strategy "180 degrees," cutting costs wherever possible, increasing its part-time staff,

Continued on page 84

American to divest Alpha Beta

By James Frederick

SALT LAKE CITY — Ending a protracted and costly legal dispute, American Stores has agreed to divest its Alpha Beta Company division. The agreement follows an unsuccessful, two-year effort by American to merge Alpha Beta with Lucky Stores, which American purchased in June 1988.

American announced in mid-May that it will sell 152 of its 175 Alpha Beta stores and nine Lucky stores in southern California over the next five years to settle an antitrust action brought by state attorney general John Van de Kamp. Van de Kamp, who is currently running for governor, had repeatedly opposed the merger of the two supermarket chains on the grounds that it would lead to higher food prices for southern California consumers.

The case went all the way to the U.S. Supreme Court, which in late April ruled that California could use federal antitrust laws to challenge the proposed merger. By settling now, American has avoided a certain court challenge.

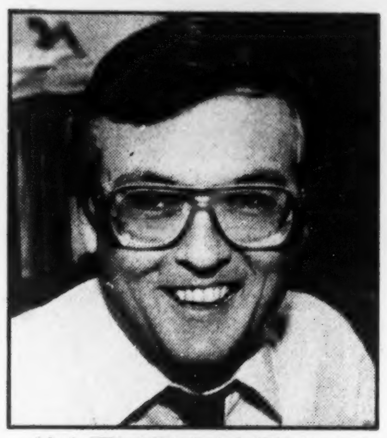
Under the terms of a consent decree between American and Van de Kamp, American has up to five years to dispose of the stores, and doesn't have to seek approval of the attorney general for the buyer, price or terms of sale. The decree also allows for the integration of approximately 23 Southern California Alpha Beta units and a distribution center into the Lucky operation, which the company is keeping. In addition, the agreement gives American a free hand in future expansion plans in the state.

American argued since its purchase of Lucky that merging the two divisions "afforded synergies that would have lowered prices to the consumer," according to company chief executive Jonathan Scott. However, said Scott in a statement, "It is evident the time required and disruption caused by further litigation with the attorney general would only serve to create greater confusion and uncertainty for employees, shareholders and lenders.

"By divesting the Southern

Continued on page 84

A new, er, prototype passes an acid test



IN THE MARKET
BRUCE BUCKLEY

Me: Is this your new prototype?

Retailer: Prototype? Well, um, not exactly...

I can't tell you how many times I've heard retailers resist the term prototype in talking about a newly designed store. The reason: there is something too solid about the word. A prototype is conceived, designed, molded and baked hard before its offspring are "rolled out," somewhat like a truckful of bagels.

An exaggeration? Sure. But prototypes do seem, in the mind at least, to resist a lot of change. And retailers by nature are tinkerers. They like to see how a design works for a while. Then they like to play with it. It's all part of an evolutionary process that never reaches the ideal because there is no ideal. Besides, the size and configuration of available space varies all over the lot. One size bagel does not fit all.

I was thinking about retailers' "prototypical" reactions to prototypes on my way up to Vermont this past Memorial Day weekend after making a long side trip to Fair Haven, Mass., to view the latest example of Brooks Drug's creative design efforts.

Brooks is one of a number of drug chains that are reaping the rewards of a consistent marketing approach focusing on basic drug store strengths. Though Hook-SupeRx Inc., Brooks' parent company, doesn't disclose the financial results of its drug store divisions, it's generally known that Brooks' same-store sales—a very sensitive barometer of marketing and operational success—are among the strongest in the industry.

Before my opening day trip to the store, John Jennings, Brooks' executive vp of marketing, had been hesitant to use the word prototype to describe the new store. That had started me thinking about how many times I had heard similar comments. Jennings talked about making changes and then "stepping back" to look at the results. Were they an enhancement and could they be transported economically to other stores? As part of an LBO company, Brooks has to keep "portability" of design foremost in mind.

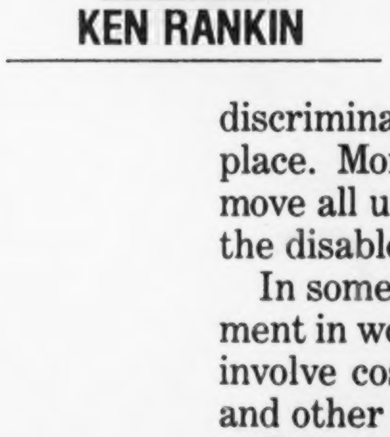
Individually, the changes in the Fair Haven store were not overwhelming, but the sum of the parts was impressive. Creative lighting headed the list. Two rows of ceiling track lights, one focused on the stationery wall on one side of the store and the other on cosmetics on the opposite side, made those departments pop. Neon signs affixed to subtly colored walls above those departments also drew the eye—without being overwhelming. The angled fragrance wall was topped by a similarly tasteful neon sign. Eventually, parabolic lens coverings, which direct ceiling lights onto product shelves and minimize overhead glare, will be installed.

There were other eye-catching design touches. The newly-configured pharmacy department offered more privacy for pharmacist-patient talks. A vaulted ceiling above the center promotional aisles was a nice, low-key solution to the perennial problem of how to shout sale without making a lot of noise. A slotted, mirrored wall behind fragrances gave an opportunity to build display accents by varying the height and width of the fragrance shelves.

In short, it worked. The key departments—pharmacy, H&BA, cosmetics—made suitably strong statements. The high-grossing stationery section seemed practically to grab customers by the lapels. I put the store to the acid test. I asked my wife Joan about it.

"Very nice," she said. Sounds like a winner to me.

Employment rules face dramatic changes



WASHINGTON
PERSPECTIVE
KEN RANKIN

Make no mistake—if Congress has its way, the federal groundrules governing hiring and employment practices will shift dramatically within the next couple of years.

In most cases, the requirements facing drug stores will be made more stringent, the penalties for violations will be stiffer, and the cost of complying with the new standards will be higher.

What's more, employers won't be able to count on the White House to run interference for them. Indeed, much of the impetus for the stricter hiring and employment rules is coming from within the Bush Administration itself.

Take the new "Americans with Disabilities Act" (ADA) just passed by Congress with the support of the President. Under this legislation, drug stores and other businesses will be prohibited from discriminating against the handicapped in the workplace. Moreover, employers will be expected to remove all unreasonable barriers to the employment of the disabled.

In some cases that could mean just a minor adjustment in work procedures. In others, however, it could involve costly structural changes to fixtures, stores and other buildings.

The new ADA law is just one in a series of actions in the pipeline now that would affect drug store industry employment practices. Here's what else is on tap in Washington:

•Tough new federal restrictions on age discrimination in the workforce. The Labor Committees in both the House and the Senate have already approved legislation requiring employers to offer equal benefits to workers, regardless of their age. Those bills would effectively reverse a recent U.S. Supreme Court ruling that held that employers could extend "fringe" benefits to younger workers without offering similar benefits to older employees.

•A crackdown by the U.S. Justice Department on illegal discrimination based on national origin. A recent General Accounting Office investigation reported "widespread discrimination" against job applicants who "look or sound foreign" in the wake of federal immigration reform legislation requiring employers to be responsible for weeding out illegal aliens.

Although Congress may repeal the four year-old penalties on employers of undocumented immigrants, it's more likely that lawmakers will instead press for more vigorous enforcement of the rules against national origin discrimination.

•More vigorous enforcement against workplace "sexual harassment" by the U.S. Equal Employment Opportunities Commission (EEOC). New guidelines issued by the EEOC earlier this spring hold corporate officials legally responsible for sexual harrassment violations by supervisory personnel. Additionally, the enforcement rules oblige employers to protect all workers from a "hostile" work environment.

•Stiffer penalties for violations of federal child labor laws. Legislation now under consideration on Capitol Hill increase fines for child labor violations ten-fold from $1,000 to $10,000 each. In addition, the bill would deny firms that engage in these practices the right to bid on government contracts or obtaining federally guaranteed loans.

•Tight new rules on job safety. Congress is debating a proposal to establish criminal penalties for serious workplace safety violations, while the Bush Administration has uncorked a separate plan to triple the dollar fines facing businesses.

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SPECIAL SAMI REPORT

Drug store OTC sales up 1% to hit $4.4B

PRODUCT TRACKING
ALAN MILLER

To assess trends and the magnitude of proprietary drug sales, Arbitron/SAMI has created a special universe of 20 product categories and classes. It tracks sales movement of all brands and items in both drug and food stores in 54 major markets every 28 days.

For the year ended Feb. 23, 1990, retail drug store sales of these non-prescription goods increased 1 percent to reach the $4.4 billion mark.

Medicated-dandruff shampoo scored the highest growth rate nationally, at 12 percent. The second-highest gain was posted by the first aid products category, which includes bandages, first aid kits, first aid tape, and cotton swabs.

Two categories showed major losses: appetite suppressants fell 29.9 percent in drug stores, and proprietary tranquilizers dropped 18.2 percent.

Reasons examined

The weakness among appetite suppressants is surely related to the enormous growth of measured diet meals, paced by both the Slim Fast and Ultra Slim Fast diet programs.

Among the 20 categories and classes included in this special sales analysis, 14 posted gains in drug store dollar volume, while six showed losses.

Although the gain for all of these proprietary drug items was 1 percent nationally, 17 SAMI markets gained at better than 5 percent rates. In three markets (Minneapolis/St. Paul, Charleston/Savannah, Ga., and Portland/Concord, Maine), the gain rate for all of these items combined was more than 10 percent.

Five markets experienced losses of more than 5 percent, headed by Spokane, Wash. (17.4) and followed by: Seattle/Tacoma (-8.0), Grand Rapids/Kalamazoo, Mich. (-7.7), Baltimore/Washington (-7.2), Los Angeles (-5.0), and Portland, Ore. (-5.0).

Obviously, movement trends vary significantly by market and category.

Among internal analgesics, the leading drug store sales segment at $807 million, performance ranged from +6.7 percent in the New York market to -3.9 percent in Dallas/Ft. Worth.

Among cold remedies measured in the 10 geographically dispersed markets, there was a 10.4 percent increase in Atlanta and a decline of 5.0 percent in San Francisco.

Eye care products had plus rates in nine of the 10 markets, but again San Francisco came in with an 8.5 percent loss. Chicago registered a strong increase of 12.6 percent in this category.

New York had the best trend for laxatives and stool softeners, while Dallas/Ft. Worth recorded the lowest figures in that category. Again, among the 10 markets in the case of first aid antiseptics, the parameters ranged from a high of +18.9 percent in Chicago to -0.9 percent in Boston/Providence.

New York sales of medicated mouthwash items advanced 8 percent, but fell 11.3 percent in St. Louis. All markets showed gains in the medicated-dandruff shampoo product class, ranging from 22.1 percent in Chicago to 6.0 percent in San Francisco.

Finally, there are major differences in the size and importance of these product categories and classes as they are marketed from one geographic area to another.

Eye care products, for example, ranked third out of 20 on a national basis, but in Albany they are second only to internal analgesics, which hold the number one spot in any store sales in all 54 Arbitron/SAMI markets. In the Charleston/Huntington, W. Va. market, eye care products ranked sixth.

Differences noted

The sunscreens product class ranked 14th in national drug store sales of non-prescription products. It ranked 18th, however, in each of these five markets: Milwaukee; Minneapolis; Indianapolis; Birmingham, Ala.; and Kansas City, Mo.

One might expect the high-ranking position of 11th in sun-drenched Jacksonville, Fla. or Los Angeles, but sunscreens also ranked 11th in the Portland/Concord, Maine market. Maybe it makes sense that sun worshippers, who are cooped up during the long Maine winter, need special protection when they emerge into the warm, bright, down-East sunlight.

Drug store dollar sales trends for non-prescription products

(Year end 2/23/90 versus year ago)

Category/class	% change vs. yr. ago
Gains	
Medicated, dandruff shampoo	+12.0%
First aid products	8.8
Sleeping aids	6.9
Sunscreens	6.7
First aid antiseptics	5.7
Eye care products	4.0
Cough remedies	3.0
Lip care products	2.3
External analgesics	1.7
Foot deodorants & athlete's foot remedies	1.5
Nasal spray-drop-inhaler	0.9
Medicated mouthwash	0.8
Chest rubs	0.8
Cold remedies	0.7
Losses	
Cosmetic & medicated skin aids	– 0.1
Internal analgesics	0.3
Laxatives & stool softeners	1.6
Antacids	1.7
Tranquilizers	18.2
Appetite suppressants	29.9

Source: Arbitron/SAMI.

> ***Medicated-dandruff shampoo scored the highest growth rate nationally, at 12 percent. First aid products, including bandages, first aid kits, and cotton swabs, was second.***

Markets where drug stores posted strong gains in sales of non-prescription drug products

(Year End 2/23/90 versus year ago)

Market	% Gain vs. yr. ago
Minneapolis/St.Paul	+12.4%
Charleston/Savannah	12.3
Portland, Me./Concord, N.H.	10.2
Detroit	9.3
New York	8.5
Syracuse	8.0
Charlotte	6.8
Louisville/Lexington	6.8
Greenville/Spartanburg/Asheville	6.6
Miami	6.6
Denver	6.2
Shreveport/Jackson	5.9
Quad Cities	5.6
Green Bay	5.5
Scranton/Wilkes-Barre	5.5
Peoria/Springfield	5.3
Memphis/Little Rock	5.1

Source: Arbitron/SAMI

Drug store trends in geographically dispersed SAMI markets, non-prescription drug categories and product classes

(Dollar sales for year ended Feb. 23, 1990)

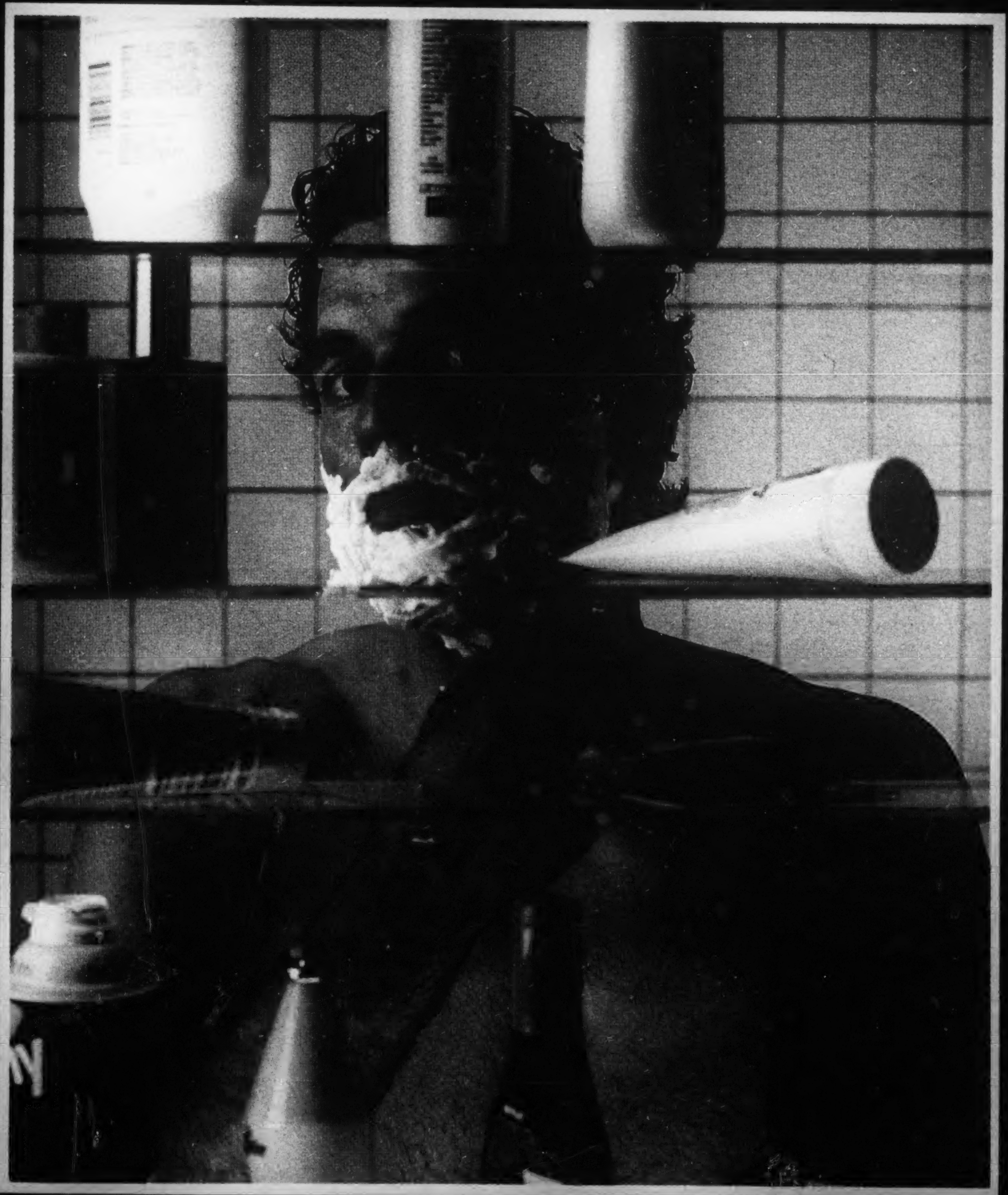
Market	Internal Analgesics	Cold Remedies	Eye Care Products	Laxatives & Stool Softeners	First Aid Antiseptics	Medicated Mouthwash	Medicated, Dandruff Shampoo
Boston/Providence	−2.6%	− 4.4%	+ 3.8%	+ 1.1%	+ 0.9%	+4.8%	+14.0%
New York	+6.7	+ 5.2	+11.4	+14.0	+11.4	+8.0	+18.9
Philadelphia	+1.7	− 2.2	+ 5.3	+ 1.8	+ 7.3	+1.0	+ 8.5
Atlanta	−0.6	+10.4	+10.9	+ 4.0	+ 8.1	−3.9	+ 9.1
Miami	+0.7	+ 7.2	+10.7	+ 0.5	+ 8.9	+7.1	+15.2
Chicago	+1.3	+ 7.2	+12.6	+ 7.1	+18.9	+2.1	+22.1
St. Louis	+1.3	+ 3.3	+ 9.0	+ 6.8	+12.0	−4.3	+ 9.0
Dallas/Ft. Worth	−3.9	+10.1	+ 7.9	− 8.3	+ 4.4	−3.5	+12.6
San Francisco	+1.3	− 5.0	− 8.5	− 7.1	+ 4.2	−0.1	+ 6.0
Denver	+1.7	+ 4.3	+11.2	+ 5.9	+ 8.1	−8.6	+15.3
Total U.S.	−0.3	+ 0.7	+ 4.0	− 1.6	+ 5.7	+0.8	+12.0

Source: Arbitron/SAMI

DRUG STORE NEWS®

GALLUP '90 CONSUMER STUDY

Rewards await chains that court male shoppers



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reasons they shop in drug stores.

Based on separate interviews with male shoppers in drug stores, the emphasis on convenience seems to overshadow any other consideration that motivates men to shop drug stores, both for grooming aids as well as other products.

Because of the value that men place on convenience, it's also possible that drug stores could appeal to male shoppers by developing advertising that plays up their convenience strengths.

As several buyers point out, men today are shopping for necessities far more frequently than they have in the past.

One source reasoned that this is partly because many men are marrying later, which means they have to shop more for themselves. Also, today there are many more families in which both partners work, and so men are sharing more household tasks like shopping.

So while the Gallup survey confirms that there is a real opportunity for drug stores to court male shoppers, it also asks the question of how best to do this.

Some retailers think the answer lies in expanding their male grooming departments, making them into more of a boutique in which a greater variety of male-specific products could be merchandised together: deodorants, soaps, skin creams, shaving implements, shaving creams, men's colognes, aftershaves, hair thickeners, hair color, and anything else that would be geared to a male customer.

Some sources suggested that it may make more sense to eliminate male grooming sections altogether, in the belief that often they can be confusing or difficult to shop.

One buyer said that because space is at such a premium in today's drug store, it's hard to make a men's grooming department as complete as it should be.

One source called the average chain drug store grooming section a "hodgepodge of a little bit of this and a little bit of that.

"In most stores, you can find shaving products, hair

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Blade razors popular winners over electric shavers

By and large, American men still to seem prefer a blade razor to an electric shaver.

In *Drug Store News*' Gallup survey of male consumers, 67 percent used a blade razor and only 30 percent used an electric shaver.

Double-edge blades and disposable blades were the most popular with blade razor users; they were chosen by 31 percent and 28 percent, respectively.

Gillette was far and away the favorite brand of razor blade. A total of 53 percent of the respondents who used a blade razor said a Gillette blade was their favorite, while 18 percent picked Bic, and 13 percent of the resopndents picked Schick.

More than half—57 percent—of the electric shaver users preferred the Norelco brand. Another 27 percent of electric shave users named Remington.

When men take a razor to their face, they usually like to soften the procedure with a soothing aerosol cream. Of the respondents who used blade razors, 60 percent said they used a cream when they shaved; 13 percent said they simply used soap; 5 percent used a gel; and 3 percent a pre-shaving lotion.

Gillette was also the most popular brand of shaving cream, named by 27 percent of shaving cream users as their favorite brand, with 18 percent specifically saying they preferred Gillette Foamy.

Barbasol, Colgate Instant Shave, and Edge were the next most popular brands, named by 15 percent, 13 percent, and 12 percent of shaving cream users, respectively.

Although many toiletry buyers think women usually buy men's grooming products and shaving aids, the Gallup survey found this is not necessarily the case.

Allocating space for men's shaving products and other grooming aids near mass skin care is a logical adjacency that often results in impulse sales. Six out of every 10 men, Gallup said, buy their own shaving care products.

Three-fourths of the male respondents who used shaving creams said they usually buy their own cream, while 59 percent of the men who used aftershaves and colognes said they also buy their own brands.

Although the vast majority of men, 81 percent, said they don't use any skin care products, most of the men who do use skin care prefer to buy their own products. In addition, 73 percent of all men who use skin care products said they buy their own brands.

Men usually buy their own shaving creams	
User buys	75%
Someone else buys	25

Based on men who usually use an aerosol shaving cream.
Source: The Gallup Organization

Preferred shaving methods	
All razor blades	67%
Electric shavers	30
Don't shave/ no response	3

Source: The Gallup Organization

Razor blades used most often	
Gillette	53%
Bic	18
Schick	13
Store brand	2
No preference	14

Based on men who have used a blade razor in the past four weeks.
Source: The Gallup Organization

Razor blades are a popular item for front-end merchandising. This is an ideal location for generating impulse sales as well as for satisfying the convenience needs of time-harried male shoppers.

Favorite shaving creams	
Gillette Foamy	18%
Barbasol	15
Colgate Instant Shave	13
Edge	12
Gillette other	8
Noxzema	8
Store brand	2
Old Spice	1
No preference	23

Based on men who usually use an aerosol shaving cream.
Source: The Gallup Organization

Percentage who use soothing shave products	
Aerosol creams	60.0%
Soap	13.0
Creams	11.0
Gel	5.0
Pre-shave liquid	3.0
Pre-shave powder stick	0.4
Never use	5.0

Based on men who have used a blade razor in the past four weeks.
Source: Gallup Organization

Rewards for drug chains courting male shoppers

Continued from page 37

sprays, and aftershaves in men's grooming," he said, "but after that you can't predict what you will find there. Sometimes colognes will be in that department and sometimes they'll be in fragrances. Sometimes styling aids will be there and sometimes they'll be in the general hair care planogram. Sometimes deodorants will be there and sometimes they'll be in the general planogram."

He, like other merchants who spoke with *Drug Store News*, felt it would be more logical if men could know in advance that if they wanted hair color, they should go to the hair color department, and if they wanted an aftershave, they should go to fragrances.

If drug chains do keep a men's grooming section, it should be expanded so products could be merchandised by families or brand franchise, retailers said. For example, the entire line of Old Spice products, including deodorants, aftershaves, colognes, and more, would be grouped together, as would all Adidas products like soaps, deodorants and fragrances.

He said that this would be the easiest way to generate incremental sales because men, seeing the complete line in front of them, would be motivated to buy companion products by brand family.

This is the way many drug chains now merchandise their hair care departments and how some chains are merchandising skin care. This may yet become the way chains display the men's grooming category.

Methodology of Gallup poll

The Gallup Organization, Princeton, N.J., conducted this market research survey for *Drug Store News* to identify the buying habits of men who shop for skin care, hair grooming, and fragrance products, and women who shop for bath, skin, and hair care products.

Findings on the male-oriented shopping patterns are offered in this issue; those of female shoppers will appear in the June 18 issue of *Drug Store News*.

Between Feb. 19 and March 4, Gallup conducted a telephone survey among a nationally representative sample of 1,012 men and women who were 18 years or older. There were 502 women represented in the survey and 510 men; 85 percent of the respondents were white.

A total of 13 percent of the respondents were between 18 and 24 years old; 23 percent were between 25 and 34; 27 percent were between 35 and 49, and the rest, 34 percent, were 50 or older; 3 percent were undesignated. Survey respondents were further classified by household income, marital status, occupation, and geographic region.

Where men buy shaving cream	
Regular drug/discount drug store	41%
Food store	39
Mass merchandise store	13
Department store	2
No preference	5

Based on men who usually use an aerosol shaving cream.
Source: The Gallup Organization

Electric shavers used most often	
Norelco	57%
Remington	27
Braun	7
Schick	1
No preference	8

Based on men who have used an electric shaver in the past four weeks.
Source: The Gallup Organization

Convenience key to shaving buys

When men shop they go for convenience, especially for commodity products like shaving cream.

Men tend to be in drug stores or food stores more than they are in discount stores or department stores, so that's where most men buy their shaving creams and lotions.

Drug stores scored well with convenience-minded males, but some buyers think they could be doing even better. According to Gallup, 41 percent of all men who use shaving creams buy them in drug stores.

But, since six out of 10 men don't shop drug stores for shaving products, chains need to get the convenience message across to male consumers.

Some buyers feel the shaving department needs to be more visible, and have its own identity. From chain to chain, it is paired with hair care or deodorants, or is displayed as an extension of fragrances.

Buyers felt the shaving department should have a more consistent home in drug stores, and have a more definite, accessible, and convenient location. One suggested that an adjacency with skin care and bath care products would be the most logical way to merchandise shaving aids.

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Aftershave/cologne use nears 75% mark

Favorite aftershaves or colognes

Old Spice	15%
Polo	8
Drakkar Noir	5
Stetson	5
Brut	5
English Leather	4
Aqua Velva	4
Windrift	3
Aramis	3
Obsession	3
Brut 33	3
Halston	2
Avon	2
Skin Bracer	2
Jovan Musk	2
No preference	37

Based on men who have used an after shave or cologne in the past four weeks.
Source: The Gallup Organization

Manufacturers of aftershave lotions and colognes have been more successful than manufacturers of hair styling and hair coloring products in convincing men to use their products.

Almost three-fourths—72 percent—of the male respondents in the Gallup survey said they used either an aftershave lotion or a cologne.

The frequency of use for these products is also up slightly, as 19 percent of lotion/cologne users said they are using these products more now than several years ago, and just 9 percent said they were using them less.

Numerous benefits

Several buyers think usage is higher in this category because it is easy for men to perceive the social benefits of a cologne or aftershave as well as to feel the physical benefit.

Many colognes and aftershaves are positioned to enhance a man's sex appeal. Many are also formulated to leave the skin feeling refreshed and soft after a shave, and many men do perceive that as a definite benefit.

There is fragmentation in the aftershave/cologne category, but there are also some strong brand preferences. A total of 15 percent of men who used a cologne/aftershave named Old Spice as their favorite brand, while 8 percent picked a much more upscale brand, Polo.

Other popular brands

Also garnering 5 percent each was another upscale cologne, Drakkar Noir, and Stetson and Brut, while 4 percent opted for Aqua Velva and English Leather, respectively. All the popular brands were heavily advertised.

More than half—59 percent—of cologne/aftershave users said they usually bought their own aftershaves or colognes, but the rest let someone else buy for them, presumably a woman who either knows her man's preferences or whose taste he trusts.

Where men most often buy aftershaves and colognes

Department stores	34%
Regular drug/ discount drug stores	30
Food stores	15
Mass merchandise stores	13
Door-to-door salesperson	2
No preference	6

Based on men who have used an after shave or cologne in the past four weeks.
Source: The Gallup Organization

Sensor puts drug chains on shaving's cutting edge

The Gillette Sensor shaving system is a classic example of a successful product somewhat tangled in its own success.

Drug chain buyers feel that Sensor can be a category buster, if only they could get enough of it. Demand for the innovative twin-blade razor, driven by a massive consumer ad campaign, has reportedly doubled initial projections and caused product outages at some chains.

Sensor didn't show up in the Gallup consumer survey because it was launched in January and was initially distributed as the polling was conducted.

Before the debut, Gillette predicted that by year's end Sensor would have a 4 percent share of the wet shave market, made up of disposables and systems. It is now projecting Sensor revenues of $175 million, or 6 percent, said Michael Casner, vp-business manager, Gillette.

Casner said Gillette expects to be meeting demand by the third quarter. By May the company was still allocating product, and experiencing "a couple of weeks' delay" filling back orders, he said.

He confirmed that in mid-February the unexpected demand had caused six- to eight-week delivery delays. Gillette responded by canceling the product's launch in Europe—a move still in effect in May—putting its South Boston and West Berlin factories on 24-hour production, planning to bring production equipment on-line earlier, and rescheduling planned ads for the second half.

Buyers said Sensor will likely fuel the consumer trend away from disposables to systems. As a category, shaving systems gained ground in supermarkets in the first quarter of 1990 . . .

"We know people are still frustrated. There are still out-of-stocks," Casner said at press time.

Cutting edge shaving entry

Chain buyers interviewed by *Drug Store News* largely agreed that Sensor is the sharpest new shaving entry in years, with performance and features that should continue to win over users. Its twin blades are mounted individually on springs which sense and adjust to the smallest curves of a man's face, Gillette said.

Yet some merchants reported out-of-stocks and were on back-order through May, especially on the five- and 10-count cartridge blade packs, they said. "It's a terrific product. They've wiped out the competition. Now all they have to do is supply it," said Steve Demas, a buyer at Peoples Drug Stores. "This razor could be dominating the field for quite some time."

For its part, Peoples was loaded with product and ready by the time of the Sensor's Super Bowl Sunday advertising kickoff Jan 28. But it has been a scramble ever since to maintain everyday stock, while promoting the razor about every fifth week. "I don't think I've received one [full] order yet," Demas said.

At Duane Reade in New York City, "the razor itself is still back ordered. We're out of stock right now," said Eli Cohen, president and chief operations officer. He said the chain received 20 percent of a March 1 order for 1,800 dozen of the razor five-pack. By April 17, 1,500 dozen were still back ordered. The full order arrived in May. The vendor "is not taking orders" on the 10-count packs, Cohen said.

Gillette's Casner said that Big Apple consumers are "more highly aware" of the product through advertising.

Rite Aid, Kerr, and Thrift also said they couldn't meet market demand for the hot Sensor.

Thrift fared well, except for three weeks in March when it was out-of-stock on blades. The chain received most of the product ordered and in time to meet stores' demands because it submitted orders early, said Marty Sheets, senior buyer of cosmetics and fragrances.

"Gillette is on a first-come, first-served basis," said Sheets. Thrift's first order was delivered Oct. 10, and the chain placed its second order before receiving the first, Sheets said. "We could see they were committed to a phenomenal advertising budget," Sheets said.

Systems gaining ground

Buyers said Sensor will likely fuel the consumer trend away from disposables to systems. As a category, shaving systems gained ground in supermarkets in the first quarter of 1990, according to Towne-Oller & Associates, New York.

In the quarter, systems accounted for 60.1 percent of wet shave dollar volume in supermarkets, compared with 56.7 percent in the first quarter of 1989. Disposables, in comparison, had 39.9 percent of share, compared with 43.3 percent in last year's quarter, Towne-Oller said.

OscoDrug
Gillette Sensor
Gillette® Sensor® Razor
With 5 disposable cartridges
2.39
5-Pack Gillette® Sensor® Shaving Cartridges
2.79
Gillette Sensor
NEW
Snyder
Fay's
Gillette
NEW
5
2.57
GILLETTE SENSOR CARTRIDGES
•Package of 5
Winn-Dixie
Marketplace
Gillette Sensor
5
5-CT.
GILLETTE SENSOR BLADES
$2.69
PKG

Massive consumer and co-op advertising has greatly increased the demand for the Gillette Sensor.

Gallup: Aftershaves/colognes, skin care

Men buying aftershaves or colognes are likely to make their purchase in a drug store because they value price and convenience.

Cologne/aftershave purchasers prefer drug and dept. stores

While men will often shop mass market stores for commodity items like shaving creams, shampoos, and hair styling aids, they are a little more particular when it comes to colognes.

When surveyed, 34 percent of cologne/aftershave users said they bought their colognes and/or aftershaves in a department store, indicating that quality brands, service, and selection were important.

A slightly smaller number, 30 percent, bought their products in a drug store. This indicates that convenience and price are important too.

It also suggests a strong opportunity for drug chains that effectively spread the word that they also carry the better-known brands and offer service and selection.

As with shaving products and men's hair care needs, some buyers felt it is possible men don't shop drug stores more often for fragrances because display strategies can be confusing.

Percentage of men who have used aftershaves or colognes

Users	72%
Never use	28

Based on use within the past four weeks.
Source: The Gallup Organization

From chain to chain, a cologne or aftershave might be in the toiletries section, or near women's fragrances. It might be under glass, or it might be on a shelf. It might be near hair, or it might be near grooming.

Some men will also shop a food or mass merchandise store for fragrances. To this end, 15 percent of cologne/aftershave users told the Gallup pollsters that they most often buy their colognes or aftershaves in a food store, and 13 percent said they shopped for these items in discount stores like K mart.

Once again, several toiletries buyers said they think most men will shop wherever they happen to be, and wherever it is most convenient for them.

One buyer said that male customers, who tend to be brand loyal and to know what they want, are willing to pay more if they can save time or effort. Plus, he said, men do not seem to care as much as women do about product assortment, again because many men basically know in advance what it is they intend to buy, and they just want to make the purchase as quickly as possible.

Another grooming aids buyer said he thinks men could be wooed away from food and mass merchandise stores if drug store operators made more of an effort to make their stores "comfortable" for men, meaning making their products easy to find and making it easy to get in and out fast.

Frequent use of skin care items grows among men

The number of men who use skin care products isn't high yet, but frequency of use is definitely growing.

Gallup found that although the number of men who use skin care products is still relatively low (19 percent), more than half of the users (51 percent) said they use skin care items more frequently now than several years ago. At the same time, just 6 percent of all users said they use skin care products less frequently.

Most male skin care users also like to buy their own skin care products; 73 percent of skin care users said they bought their own brands, while just 25 percent let someone else shop for them.

Notably, more than three-fourths (79 percent) of male skin care users said they bought skin care products in drug, food, or mass merchandise stores most of the time—not department stores, where most colognes are bought. Just 7 percent said they shopped department stores for skin care.

Men usually buy their own skin care items

User buys	73%
Someone else buys	25
No response	2

Based on men who have used a skin care product in the past four weeks.

Source: The Gallup Organization

That's not especially surprising when one notes the majority buy and use popular mass market brands like Vaseline Intensive Care Lotion or Noxzema.

Although discount stores certainly stock mass market skin care brands, they aren't capturing many male shoppers here. Just 12 percent of users said they bought their skin care in a discount store compared to 27 percent who said they most often bought their skin care items in food stores.

The most popular place for men to buy skin care items is still a drug store; 40 percent of all skin care users said they shopped drug stores most often for their preferred brands.

This suggests an opportunity for drug stores to develop a franchise with male skin care shoppers. If they can get men comfortable with the idea of buying skin care items in their stores, they can lock in shoppers who are generally loyal. They can also make it harder for food chains and discount stores to attract this business.

Toiletry buyers interviewed feel most men will shop where they can save time. However, as one source said, the store has to be conveniently merchandised as well as conveniently located. The average man won't shop a drug store for skin care unless he is convinced he can get into the store easily, find what he wants fast, and get out fast.

Drug stores have to develop a specific strategy for merchandising men's skin care and stick with it, this source said.

"When men shop for themselves," said one source, "they want to know where they can find what they want and how fast they can get in and out."

One buyer said the easiest way to merchandise skin care for men is to create a generic set for skin care featuring all men's and women's franchised and toiletry brands available today, locate it a skin care department in or near the cosmetics department, and then advertise it to increase its visibility.

Men are starting to use skin care products more often

Using more frequently	51%
Less frequently	6
About the same	42
No preference	1

Based on men who have used a skin care product in the past four weeks, and compared to usage several years ago.
Source: The Gallup Organization

That was the way some retailers thought men's hair color, hair thickening products, and styling aids should be merchandised.

The maximal way to merchandise grooming aids for men, one source suggested, is by product category, not a men's grooming section.

However, other sources said a men's grooming section does make sense, only it should be big enough to include the majority of products formulated specifically for men, and maybe it should be merchandised by brand family rather than product type.

Where men most often buy skin care products

Regular drug/discount drug store	27%
Food store	27
Mass merchandise store	12
Department store	7
Door-to-door sales person	6
Specialty store	5
No preference	16

Based on men who have used a skin care product in the past four weeks.
Source: The Gallup Organization

More than three-fourths (79 percent) of male skin care users said they bought skin care products in drug, food, or mass merchandise stores most of the time—not department stores, where most colognes are bought. Just 7 percent said they shopped department stores for skin care.

Favorite skin care brand

Vaseline Intensive Care	20%
Noxzema	8
Neutrogena	3
Clinique	2
Aramis	1
Soft Sense	1
Other	54
No preference	11

Based on men who have used a skin care product in the past four weeks.
Source: The Gallup Organization

Men loyal to hair care brand, skeptical of ad claims

Men are not what one might call daring or experimental when it comes to hair care. They are somewhat skeptical about product benefit claims, and they tend to stay loyal to the brands they have used in the past.

That's probably the main reason why Gallup found that just 6 percent of the males in the grooming aids survey used hair-thickening products.

Men seem to be waiting for manufacturers to do more to prove to them that these products work. They are less susceptible to fantasy advertising than women, one buyer said.

Some men also seem to think they should live with what nature has given them, and that it's "feminine" to try to rearrange their appearance.

That may also explain why 67 percent of the respondents also said they aren't using hair styling products like sprays, mousses, or gels.

It may also explain why 95 percent of all men say they don't use hair coloring products. Surprisingly, age had no impact on men's willingness to say they used hair coloring products. There were no significant differences in usage between the younger men in the survey and men 50 and over.

There were some age differences, however, among men who used styling products. More older men than younger men said they used hair sprays, while younger men were more likely to be using mousses, gels, or spritzes.

However, hair sprays still remain the most popular choice of men who use styling aids; 19 percent said they did use a hair spray compared to 9 percent who said they used a mousse and 9 percent who said they used a gel.

The most frequently preferred and most-often-mentioned brand of hair spray was Alberto Culver's Consort, chosen by 13 percent of hair spray users as their favorite brand. Another 7 percent named Aqua Net; 5 percent singled out Command and Gillette's Dry Look, respectively; and 4 percent opted for Vitalis. After that, the brand loyalties became very fragmented.

In the shampoo category, men seem to be very practical. The most preferred brand, Head & Shoulders, also does double duty as an anti-dandruff shampoo, and it was the favorite brand of 13 percent of the respondents.

Pert Plus, which is a time saver since it combines a shampoo and a conditioner into one formula, was chosen by 5 percent. Other strong favorites were Prell, 6 percent; Suave, 5 percent; and Johnson's Baby Shampoo, 4 percent.

Percentage of men who have used hair styling aids

Hair spray	19%
Mousse	9
Gel	9
Never use	67

*Responses also reflect multiple use of styling products
Source: The Gallup Organization

Men seem to be waiting for manufacturers to do more to prove to them that these products work. They are less susceptible to fantasy advertising than women, one buyer said.

Many men expect to find hair color lines like Option and Just For Men in the mass hair color department, not in the men's grooming aids department next to aftershaves, colognes, or shaving creams.

Favorite shampoos

Head & Shoulders	13%
Prell	6
Pert Plus	5
Suave	5
Johnson's Baby Shampoo	4
Selsun Blue	3
Flex	3
White Rain	2
Ivory	2
Nexxus	2
Vidal Sassoon	2
Bar soap	1
Other	24
No response	28

Source: The Gallup Organization

Favorite hair sprays

Consort	13%
Aqua Net	7
Command	5
Gillette Dry Look	5
Vitalis Spray	4
Breck	2
Suave For Men	2
Protein 29	2
Vidal Sassoon	2
Alberto VO5	2
Other or no preferences	56

Based on men who have used a hair spray in the last four weeks.
Source: The Gallup Organization

SHAMPOOS CONDITIONERS TREATMENT
17
HAIR DYES PERMANENTS

Many drug stores have trained men to look for styling aids, hair thickeners, and hair color in the regular hair care department. Some buyers feel that space is too tight to put these items in the men's grooming aids department.

LOWEST PRICES EVERY DAY
OUR TRUCKLOAD BUYS MEAN BIGGER SAVINGS FOR YOU!
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$2.96
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Convenience, low prices and brand name assortments are primary purchase motivators in men's hair care. Drug chains fare well, but hypermarkets provide hot competition.

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99¢
Fantle's DRUGSTORE
Prell
3.69
PRELL SHAMPOO OR CONDITIONER LIQUID
15 Oz.
2.99

In the hair care category men are brand loyal and are less likely to be swayed by advertising claims than women.

High grades, new formats add spin to blank videotape profits

Manufacturers and retailers of blank videotape are scrambling for ways to squeeze higher sales and profits from a mature but still-lucrative market. Their efforts have begun to slow the price erosion in videotapes as consumers gradually get the message about quality and value.

Nevertheless, videotapes make for tough competition. For manufacturers, the challenge has been to distinguish their brands and gain precious shelf space in a category crowded with nearly a dozen major players and a slew of smaller, low-priced imports. The result has been a growing emphasis by suppliers on higher-grade tapes, additional formats like 8mm, longer-playing tapes, and other niche opportunities.

For retailers, the category has also been a competitive slugfest. The competition has reached fever pitch as two forces have converged: the maturity of the market and the nearly universal distribution of blank videotapes into every trade class and nearly every mass market outlet.

Blank videotape was one of the true boom categories of the 1980s, leaping from a few million units sold at the beginning of the decade to more than 300 million in annual unit sales, generating between $1.5 billion and $2 billion at retail. Since 1986, however, the market has flattened out as household VCR penetration reached near-saturation levels of more than 60 percent of U.S. homes.

"Once consumers build a lot of tapes into their videocassette library, they tend not to buy as many new ones," noted one industry expert. "The retailers are now looking at two-and-a-half years of flat sales and looking at what they can do to get the registers singing again."

For retailers, the category has been a competitive slugfest. The competition has reached fever pitch as two forces have converged: the maturity of the market and the nearly universal distribution of blank videotapes into every trade class and nearly every mass market outlet.

Add in the fact that blank tapes are now sold by virtually everyone, and the result has been a three-year price war among videotape retailers, with feature prices on quality, brand-name tapes sometimes falling to below-$3 levels.

"Price erosion is the single most important factor affecting the market right now," said Don Patrican, director of marketing for Polaroid. "As we reach the middle stages of maturity in this market, we hope the retailer understands that the price erosion doesn't do anybody any good.

"It's been extremely competitive, and retailers are beginning to realize they aren't going to sell any more tapes by cutting the price," he continued. "They're starting to look at how they can boost sales and margins within the current market."

Trade-ups sought

Niche marketing to individual tastes has been one method to boost sales within a flat arena, manufacturers argue. Both sides are trying to nudge consumers to trade up to higher-quality tapes as a sure-fire way to boost ticket prices and margins, but the high-grade segment still accounts for only 13 percent to 14 percent of total blank tape sales, according to John Ziemba, national sales director for audio/video consumer products for BASF Corp.

The biggest roadblock to building sales at the higher end of the market has been confusion by both consumers and retailers about the need for higher-grade tapes, and the distinctions between different grades of tape quality, many manufacturers argue. In a sense, retailers and manufacturers have eroded the quality/value appeal of tapes through the emphasis on price, and now must educate consumers.

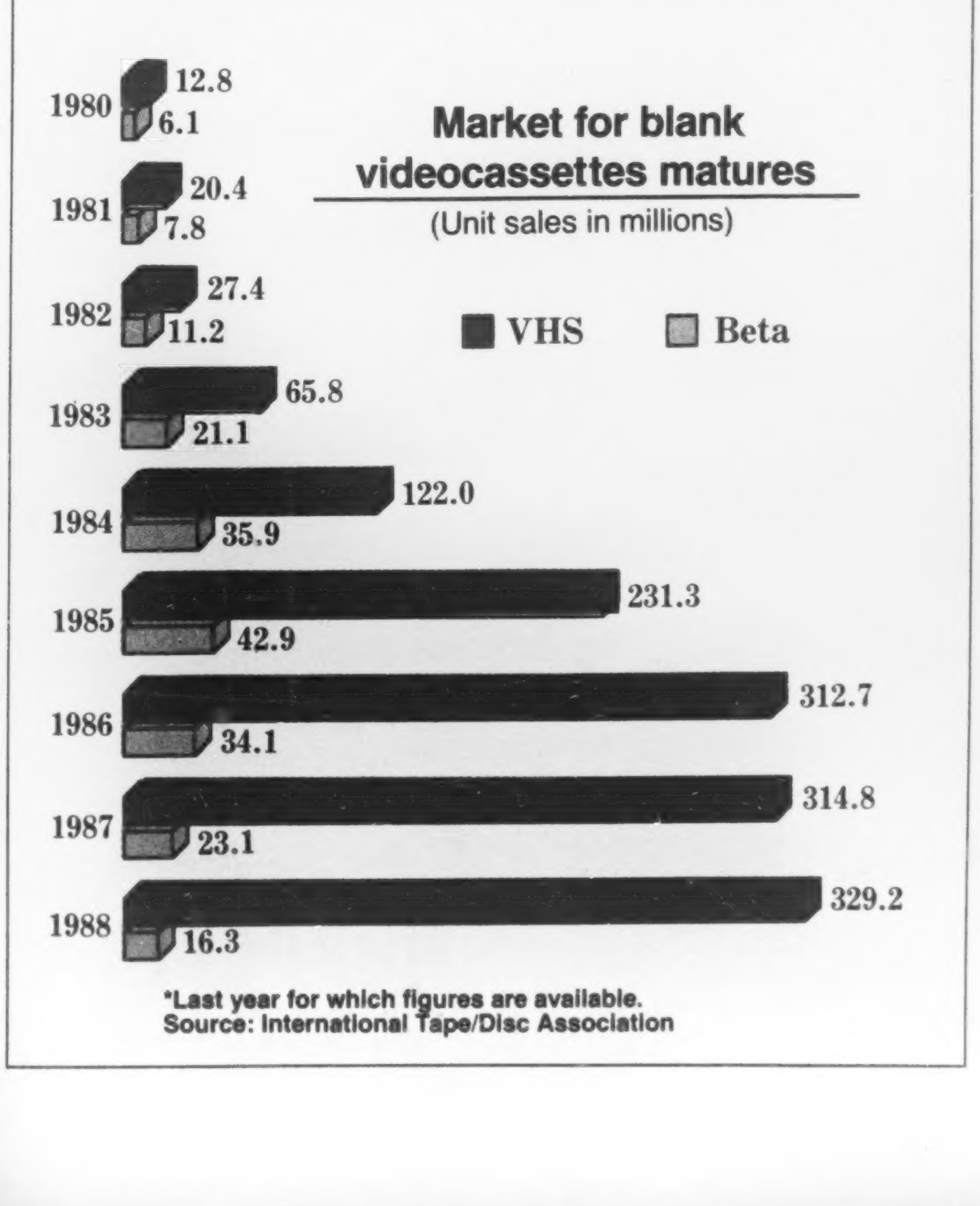
"High-grade tapes sales are relatively static, because consumers figure if the product is this cheap, how can it be that much better?" Ziemba noted. "There are specific uses for high-grade tape, but consumers don't really understand that, and price erosion has contributed to the problem."

So too has the lack of accepted, universal industry standards governing tape quality. Major manufacturers like Maxell, Fuji, Polaroid, Scotch/3M, and others have attempted to deal with the consumer confusion about varying grades of tapes by redesigning their packaging and clearly marking each grade they offer, but confusion about various terms like "high quality" remain.

"The lack of a clear standard is a problem," said Ziemba. "You've got all these no-name tape companies throwing words like 'high grade' on their packages, but the quali-

Continued on page 66

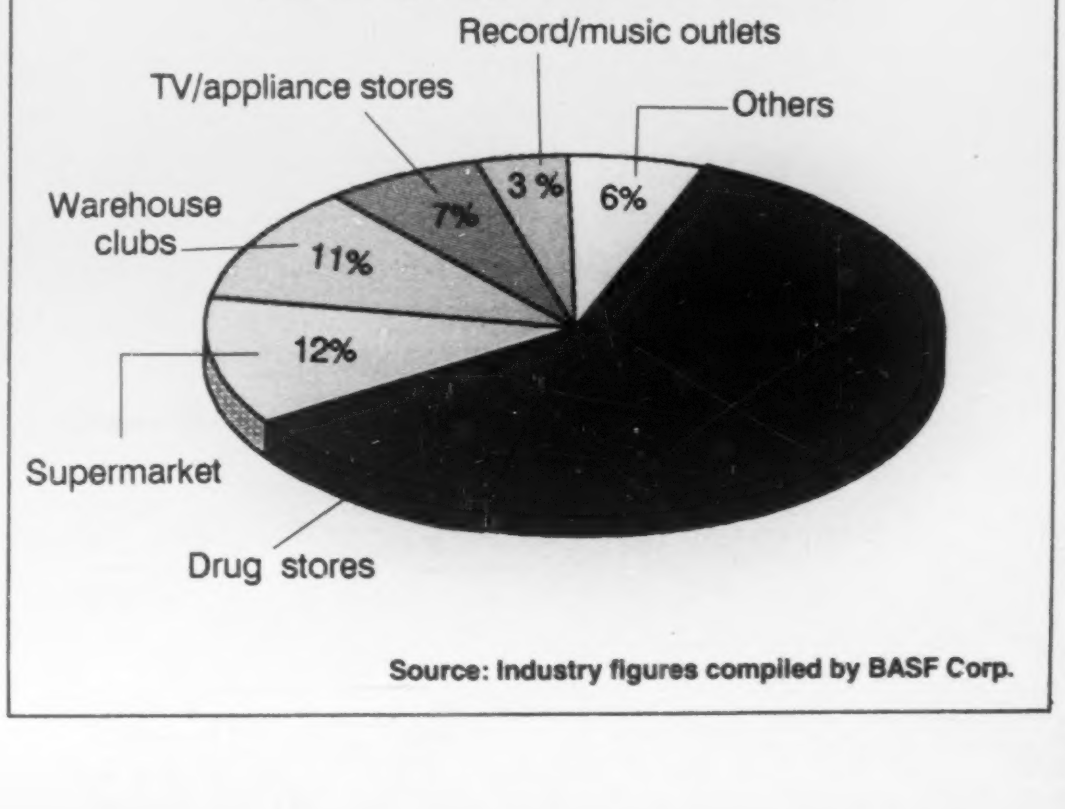
Retailers such as Rx Place (shown) build a sound entertainment image—and margins—by displaying various audiotapes, headphones and carrying cases along with blank and pre-recorded videotapes.



Market for blank videocassettes matures

(Unit sales in millions)

*Last year for which figures are available.
Source: International Tape/Disc Association



Drug chains hold their own in blank videocassette market

(Percentage represents market share)

Source: Industry figures compiled by BASF Corp.

Higher grades add spin to videotape profits

Factory sales of VCRs show maturity

Year	No. of units (in millions)	Dollar value per unit
1985	11.3	$370
1986	12.3	$320
1987	11.6	$300
1988	10.7	$260

Source: Electronic Industries Association

*Camcorder sales continue to climb**

Year	No. of units (in millions)	Average cost per unit
1985	0.52	$1,090
1986	1.20	$1,070
1987	1.60	$1,030
1988	2.06	$ 960

*Measured in factory shipments.
Source: Electronic Industries Association

Continued from page 65

ty isn't the same as it is for a brand-name product. The problem is, when high-grade tape became a viable product, there was never a standard set for it."

Ziemba and other manufacturers agree that the need exists for an industry-wide standard, but say it is difficult to implement. "We know we have to help educate the consumer, but it's difficult to do because with the prices eroding, we can't afford to," one supplier said.

Meanwhile, manufacturers continue to try to clear up the confusion with clearly marked packaging, point-of-purchase (POP) materials, and advertising.

One big impetus for the education effort is that the videotape market has shifted largely away from specialty outlets. . .where trained clerks could provide information . . . and into the self-service arena of the mass market. . .

One big impetus for the education effort is the fact that the videotape market has shifted largely away from specialty outlets like video and electronics stores—where trained clerks could provide information to customers about various grades of tape—and into the self-service arena of the mass market, where consumers are on their own. This shift is reflected in the fact that women now comprise well over half of all tape purchases.

"When we started selling videotape, we were selling it to people in the electronics industry, and they knew the product," said one manufacturer.

For retailer success in the tape category, however, manufacturers agree that "a well-though-out, well-merchandised assortment," in Ziemba's words, remains essential.

"To develop the category, retailers must stock a full line of premium, name-brand audio and video cassettes and accessories in a self-service section," noted 3M/Scotch marketing director Bob Burnett. "Simply putting blank videotape behind the counter will eliminate important impulse sales."

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Arbor 3rd qtr. sees income, sales gains

TROY, Mich. — Arbor Drugs reported a 15.5 percent increase in net income and a 12.3 percent gain in net sales for the third quarter ended April 30.

Third-quarter net income was $2.3 million, compared with $1.97 million in the year-earlier period, on net sales of $82.8 million, which rose from $73.8 million. Comparable-store sales were up 7.8 percent for the quarter.

For the nine months, net income was $8.3 million, a 24.4 percent increase over the previous year's $6.7 million. Sales for the nine months were up 13.6 percent to $252.5 million from $222.2 million for the period last year. Comparable-store sales rose 9.3 percent.

Commenting on the results, Eugene Applebaum, chairman, president and ceo of the 96-store company, said, "Our third quarter reflects the success of our continuing emphasis on pharmacy as the core of our operation and the overall convenience of our traditional drug store format."

Arbor, which was recently named 1989-1990 Michigan Company of the Year by the *Detroit Free Press*, opened one store during the third quarter and has opened four more thus far in the fourth quarter.

Cardinal sales, earnings break records in 4th qtr.

DUBLIN, Ohio — Cardinal Distribution tallied record sales and earnings for the fourth quarter and fiscal year ended March 31.

Fourth-quarter net earnings were up 42 percent, to $4.3 million, from $3 million in the comparable prior period, on sales of $239.6 million, a 21 percent gain over the $198.2 million reported in the period last year.

For the year, net earnings from continuing operations increased 50 percent, to $12.8 million from $8.51 million, with total net earnings at $12.8 million, compared with $13.3 million in 1989, which included net earnings from discontinued operations of $336,000 and a $4.4 million after-tax gain on the April 1988 sale of Cardinal's food wholesaling operations.

Robert D. Walter, chairman and ceo, said the record fourth-quarter and year-end results were achieved solely through internal growth, with no acquisition impact occurring during the fiscal year.

In March, Cardinal announced an agreement in principle to buy all of the stock of Ohio Valley-Clarksburg Inc., for $27.1 million. The deal is expected to close this month.

Ohio Valley, a Wheeling, W. Va.-based wholesale drug distributor with annual revenues of about $190 million, serves primarily drug store customers in West Virginia, Pennsylvania, Ohio, Maryland, Virginia and parts of adjoining states.

SGC's 4th qtr. hits new highs

EDISON, N.J. — Supermarkets General Corp. has started to dig out from under its mountain of LBO debt, as seen in its record results for the fourth quarter and fiscal year ended Feb. 3.

Operating earnings for the year, not including a $36.2 million restructuring charge related to the Rickel division, were a record $213.3 million, a 12-percent increase over the previous year. After interest expenses, taxes and LBO charges, the company showed a net loss of $56.3 million, excluding the restructuring charge, compared with last year's net loss of $58.9 million. Sales, though also a record for the 53-week period, were essentially flat, rising 6 percent over last year's 52-week period to $6.3 billion.

In the fourth quarter, operating earnings, not including the restructuring charge, climbed 41 percent to $76.8 million.

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Vol. 12, No. 11 June 11, 1990

MARKET DIARY:

Largest Dollar Gainer	Merck Co.	$ 5.75
Largest Dollar Loser	Great A & P Tea	$– 2.63
Largest Percentage Gainer	Leiner P. Nutrition	15.00%
Largest Percentage Loser	ICN Pharmaceutical	–16.67%

Advances	33
Declines	16
Unchanged	7
New highs	14
New lows	3

	Close 5/15/90	Close 5/25/90	Net Change	Percent Change
Drug Store News Index	2889.95	2958.84	68.89	2.38
Dow Jones Industrial Average	2822.45	2820.92	– 1.53	–0.05
Standard & Poor's 500-Stock Index	354.28	354.58	0.30	0.08
N.Y.S.E. Composite	193.31	193.71	0.40	0.21
Value Line Index	242.54	243.31	0.77	0.32

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 5/15/90	Closing Price 5/25/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.75	19.75	0.00	0.00	18	0.16	0.81	24.75	14.75
OTC	Big B	BIGB	11.38	11.25	–0.13	– 1.10	23	0.16	1.42	15.25	10.50
OTC	Drug Emporium	DEMP	7.38	7.00	–0.38	– 5.08	11	0.20	2.86	16.38	6.25
NYS	Fay's Inc.	FAY	8.38	8.88	0.50	5.97	13	0.20	2.25	15.00	7.75
ASE	Genovese Drug (L)	GDX.A	7.88	7.38	–0.50	– 6.35	18	0.24	3.25	12.25	7.25
OTC	Leroy Pharmacies	LERY	4.88	4.88	0.00	0.00	–163	0.00	0.00	5.75	2.88
NYS	Longs Drug Stores	LDG	40.38	40.00	–0.38	– 0.93	13	1.04	2.60	48.50	36.75
OTC	Medicine Shoppe	MSII	21.25	22.00	0.75	3.53	22	0.16	0.73	26.38	17.50
NYS	Perry Drug	PDS	7.88	8.00	0.13	1.59	14	0.00	0.00	12.88	7.00
NYS	Rite Aid Corp.	RAD	34.25	33.50	–0.75	– 2.19	17	0.88	2.63	41.13	29.50
NYS	Walgreen Co.	WAG	43.88	44.38	0.50	1.14	17	0.80	1.80	50.25	39.50
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	26.25	26.50	0.25	0.95	15	0.40	1.51	27.38	20.50
OTC	Bindley Western Ind.	BIND	12.00	11.63	–0.38	– 3.13	19	0.00	0.00	12.75	7.88
OTC	Cardinal Distribution (H)	CDIC	23.75	25.75	2.00	8.42	20	0.08	0.31	26.25	16.25
OTC	Durr-Fillauer	DUFM	21.25	21.75	0.50	2.35	14	0.28	1.29	25.88	18.50
ASE	Ketchum	KCH	2.00	2.00	0.00	0.00	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	34.25	33.75	–0.50	– 1.46	15	1.60	4.74	39.75	31.75
ASE	Moore Medical (L)	MMD	6.13	6.25	0.13	2.04	– 10	0.00	0.00	15.13	5.63
NYS	Owens & Minor (H)	OMI	12.63	12.75	0.13	0.99	34	0.24	1.88	13.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	71.13	73.13	2.00	2.81	18	1.68	2.30	74.50	55.25
NYS	American Home Products	AHP	52.00	51.63	–0.38	– 0.72	14	2.12	4.11	55.13	45.88
NYS	Baxter International	BAX	22.88	22.88	0.00	0.00	– 53	0.64	2.80	26.25	20.50
OTC	Block Drugs Co.	BLOCA	34.75	34.63	–0.13	– 0.36	13	0.68	1.96	38.00	33.25
ASE	Bolar Pharmaceutical	BLR	7.63	6.88	–0.75	– 9.84	19	0.16	2.33	32.25	3.50
NYS	Bristol-Myers Squibb (H)	BMY	59.25	60.75	1.50	2.53	39	2.12	3.49	61.88	46.38
NYS	Carter-Wallace	CAR	48.63	53.25	4.63	9.51	16	0.80	1.50	60.50	44.63
ASE	Columbia Labs	COB	10.88	11.25	0.38	3.45	– 12	0.00	0.00	19.63	6.75
ASE	Forest Labs (H)	FRX	39.50	44.00	4.50	11.39	30	0.00	0.00	44.63	30.50
NYS	ICN Pharmaceutical (L)	ICN	3.00	2.50	–0.50	–16.67	0	0.00	0.00	6.88	2.50
ASE	Lee Pharmaceutical	LPH	1.63	1.50	–0.13	– 7.69	– 6	0.00	0.00	4.38	1.50
ASE	Leiner P. Nutrition	PLI	10.00	11.50	1.50	15.00	13	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co. (H)	LLY	71.75	75.50	3.75	5.23	22	1.64	2.17	78.00	53.00
NYS	Marion Labs	MKC	24.00	23.75	–0.25	– 1.04	82	0.60	2.53	36.63	21.00
NYS	Merck Co. (H)	MRK	78.25	84.00	5.75	7.35	21	1.80	2.14	84.00	66.00
NYS	Mylan Labs	MYL	22.75	22.88	0.13	0.55	32	0.20	0.87	25.38	9.38
NYS	Par Pharmaceutical	PRX	5.63	5.63	0.00	0.00	– 9	0.00	0.00	11.25	3.88
NYS	Pfizer Inc.	PFE	60.00	62.50	2.50	4.17	15	2.40	3.84	75.75	54.50
NYS	Rorer Group	ROR	66.88	67.88	1.00	1.50	32	0.84	1.24	70.00	36.13
NYS	Schering Plough (H)	SGP	87.75	89.38	1.63	1.85	20	2.24	2.51	91.50	63.38
NYS	Syntex Corp. (H)	SYN	53.75	56.75	3.00	5.58	20	1.60	2.82	58.00	40.00
OTC	Taro-Vit Industries	TAROF	0.88	0.88	0.00	0.00	– 13	0.00	0.00	1.88	0.88
NYS	Upjohn Co.	UPJ	38.75	39.00	0.25	0.65	23	1.00	2.56	42.13	29.38
NYS	Warner-Lambert (s) (H)	WLA	56.88	59.88	3.00	5.27	19	1.52	2.54	60.75	43.25
OTC	Zenith Labs	ZENL	4.25	4.25	0.00	0.00	– 1	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's (H)	ABS	61.00	64.00	3.00	4.92	21	0.96	1.50	64.50	45.13
NYS	American Stores	ASC	64.88	67.75	2.88	4.43	20	1.12	1.65	72.50	51.38
NYS	Giant Food	GFS.A	29.13	28.25	–0.88	– 3.00	16	0.60	2.12	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	59.50	56.88	–2.63	– 4.41	0	0.00	0.00	65.38	48.25
NYS	K mart	KM	33.88	34.50	0.63	1.85	21	1.72	4.99	44.88	32.13
NYS	Kroger	KR	14.00	14.25	0.25	1.79	–158	0.00	0.00	19.75	11.75
NYS	Melville Corp.	MES	48.75	50.00	1.25	2.56	14	1.40	2.80	53.63	41.13
OTC	Fred Meyer	MEYR	13.50	15.25	1.75	12.96	– 54	0.00	0.00	23.00	13.00
NYS	Penney, JC	JCP	65.25	64.75	–0.50	– 0.77	10	2.64	4.08	75.63	54.88
NYS	Safeway	SWY	12.13	12.63	0.50	4.12	253	0.00	0.00	12.88	11.63
NYS	Smith's Food & Drug (H)	SFD	30.50	33.13	2.63	8.61	28	0.28	0.85	33.13	20.50
NYS	Wal-Mart (H)	WMT	53.50	55.13	1.63	3.04	28	0.28	0.51	57.00	37.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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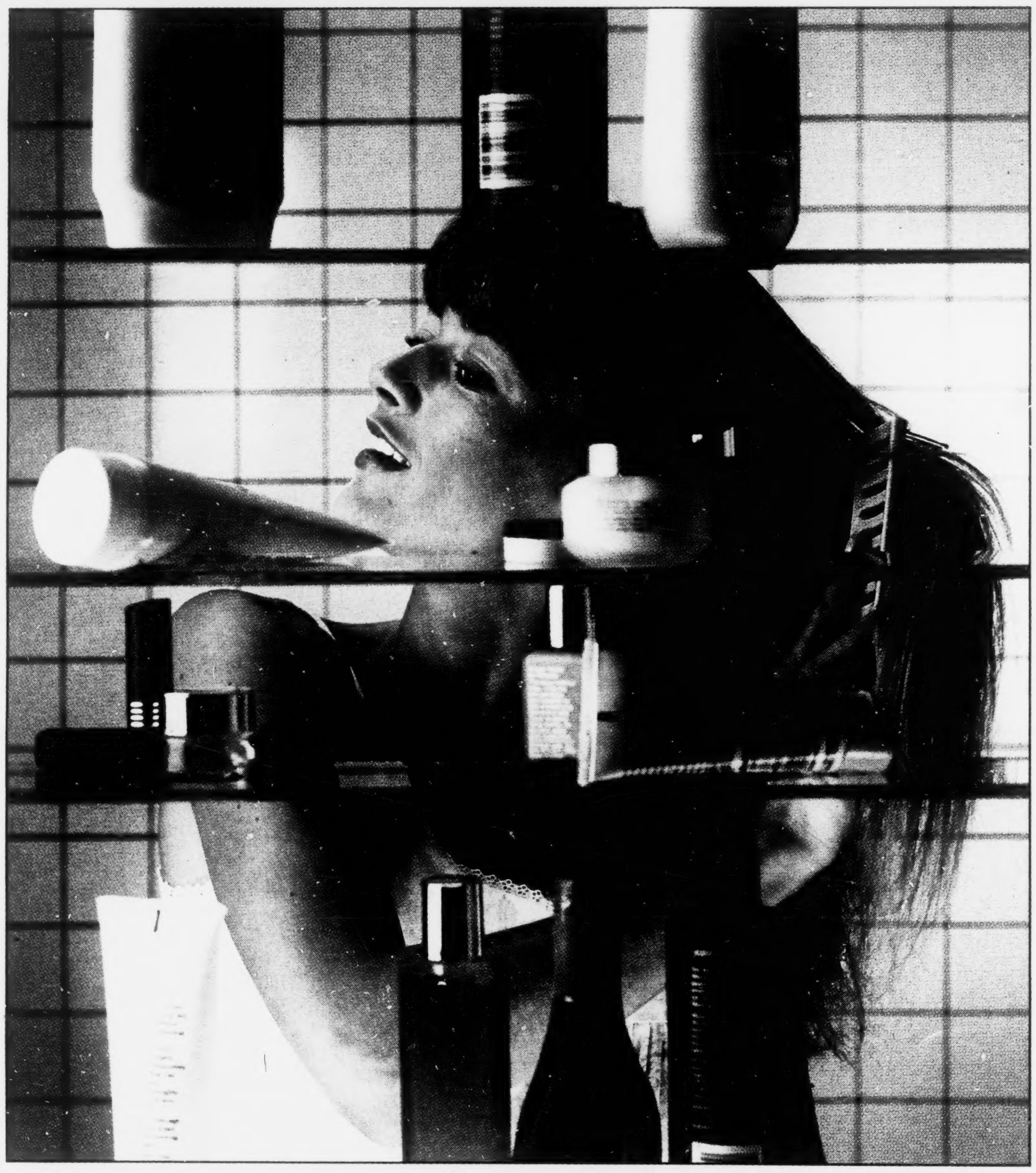
GALLUP '90 CONSUMER STUDY

Romancing the female customer—and succeeding



No particular trade class has *fully* captured the imagination of women, however. Everyone seeks an answer to the question once posed by psychologist Sigmund Freud: What do women really want?

Women are the ones who buy, use or apply most of the products that drug stores sell—making them *the* target audience, with over 80 percent of the customer base.

They vote with their purses and checkbooks, and have plenty of candidate stores romancing them—some more effectively than others. Women have such a broad choice of stores to shop, they can opt for convenience when that suits their needs, price when that looms most important, or assortment and service when these attributes seem most attractive.

At mass retail, then, consumer courtships run fickle. Shopper preferences change constantly, and vary by region and season. That's why chain drug merchants—largely held in high esteem and enjoying a strong health and beauty care image—must monitor consumer patterns closely to always understand the thoughts of women customers, their primary audience.

No particular trade class has *fully* captured the imagination of women, however. Everyone seeks an answer to the question once posed by psychologist Sigmund Freud: What do women really want?

To get a grip on the business part of that question, *Drug Store News* commissioned Gallup Research to conduct a nationally representative survey of 1,012 adult men and women to identify their buying habits for specific grooming and beauty categories. Between Feb. 19 and March 4, Gallup interviewed 510 men and 502 women, all 18 and over.

Drug Store News' report on the men's survey appeared in the June 11 issue. This issue contains our analysis of the Gallup findings on female shoppers.

Continued on page 47

NEWS IN BRIEF

Perry seals A.L. Price sale

PONTIAC, Mich. — Perry Drug Stores completed on May 31 its sale of 14 A.L. Price deep discount stores to a company headed by former market competitor Bill Edwards.

Edwards, who in the mid-1980s was president of F&M Distributors and later served as president of Revco D.S., signed an agreement to purchase the off-price division April 23. The purchase price wasn't disclosed.

Gallagher gets a top NACDS post

ALEXANDRIA, Va. — Christopher C. Gallagher has been appointed senior vp-administration and communications of NACDS, announced president Ronald Ziegler.

Gallagher, who joined the NACDS staff in 1986 as director of meetings administration, will be responsible for all NACDS activities in the areas of administration, communications and meetings.

Wal-Mart hits California

BENTONVILLE, Ark. — Wal-Mart Stores will open its first California store this summer in Lancaster, a city of 44,000 north of Los Angeles, a company spokesperson said. The first Northern California unit is due to open in the fall in Modesto, east of the San Francisco Bay Area.

Drug Fair moves to Spokane

SPOKANE, Wash. — Drug Fair Northwest relocated its headquarters operations in early June from Great Falls, Montana, to this eastern Washington city.

"We can service our stores better on this side of the Rockies, and the economic picture is better here," explained treasurer Bob Matteucci.

Four of the chain's six far-flung stores are on the Washington side of the mountains, he added, and growth prospects are better in the new location. Three of Drug Fair's headquarters staff, including president Bill Matteucci, have relocated to the new site.

Winkelman leaves Rite Aid for PPO

SOUTHFIELD, Mich. — Mike Winkelman has left his position as vp-third party programs at Rite Aid and is now senior vp-pharmacy at ValueRx, based here, one of the country's largest PPOs (preferred provider organizations). Rite Aid's Eric Sorkin, formerly vp-pharmacy services, replaces Winkelman as vp-third party.

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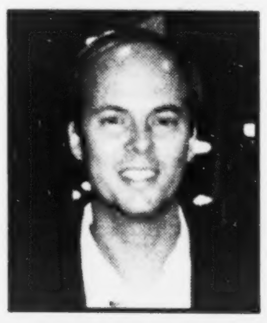
Shanower and Landers get new posts at Drug Emporium

COLUMBUS, Ohio — Drug Emporium announced new titles and responsibilities for two of its top executives, Rich Landers and Frank Shanower.

Landers, formerly vp-marketing, is now vp-merchandising and marketing. Shanower, formerly vp-merchandising, has been appointed vp and director of vendor relations. Both remain on the company's executive committee, said Bob Lyons, Drug Emporium president.

Calling the vendor relations position uncommon, if not unique, in the industry, Lyons said, "It will enable us to spend more time one-on-one in the markets with the franchisees, corporate personnel and vendors. It will ensure that our programs get implemented on all sides, including the vendors. Frank has built a reputation for innovation and creativity over the years, and he will be able to use this to get our job done in the field."

Shanower



Landers

Closer together

Landers' expanded responsibilities "bring our merchandising group closer to the operational part of the business," Lyons continued. "Rich is a multi-talented and very organized person."

"It made sense to us and is something we've been working on for awhile. It's good for everybody," he said.

Vons driving toward recovery after detouring to get Safeway

By James Frederick

ARCADIA, Calif. — With the massive job of integrating the former Safeway stores into its Vons store network largely accomplished, The Vons Companies has staunched the flow of red ink and is pushing ahead with expansion and improvement plans.

"We have a lot planned for 1990," Vons chairman Roger Stangeland told shareholders at the annual meeting May 17. "We currently have 40 major remodels scheduled (including 24 original Vons and 14 former Safeway stores). At a cost of approximately $1.3 million each, our remodels historically average sales increases of between 25 percent and 30 percent."

The supermarket and combo store operator will also open four new stores this year, he said, including a new Pavilions which opened in March in Culver City, Calif., and "is off to a good start." Last year, the company opened six new units and completed 32 major remodels and 81 store rehabs at a cost of about $200,000 each, and 253 store remerchandisings utilizing computer-aided shelf management programs to target local market conditions.

Vons' expansion and remodeling plans have a definite impact on the chain's drug store competitors, since most new stores and many renovated units contain pharmacies and full drug store departments. Indeed, only one of the stores opened last year was a traditional Vons supermarket, and the chain closed 28 smaller, underperforming and duplicate stores.

Currently, Vons operates 328 stores in southern California and Las Vegas. The total includes 74 Vons Food and Drug Stores, 221 Vons supermarkets, 12 Pavilions, 13 Pavilions Places and eight Tianguis supermarkets, the latter aimed at Hispanic consumers.

Vons' biggest task last year was merging the operations of its core stores with those of the former Safeway units, while boosting revenues from the acquired stores. Vons purchased Safeway's Southern California operations in August 1988, incurring two years of net losses as it spent heavily to purchase and integrate the more than 150 Safeway units, warehouse operations, computer systems and other components. The integration in-

Continued on page 8

Vons changes HQ address

ARCADIA, Calif. — Vons has completed a companywide move to a new corporate headquarters in this city east of Los Angeles, a few miles from the old offices in El Monte.

"For the last several years our administrative staff has operated as many as five different locations, and I know everyone at Vons is looking forward to being reunited in this new building," said Vons chairman and ceo Roger Stangeland at the company's annual shareholders' meeting.

The move was capped off in mid-May.

Bottom Line hits Greenwich Village

NEW YORK — Bottom Line, a chain of five stores located in Manhattan, is set to open its sixth store this month in Greenwich Village, at the corner of Bleeker and Christopher streets.

With 1,200 square feet of selling space, this Bottom Line won't include pharmacy, but will have extensive sections of small appliances; H&BA, including professional hair care products; OTCs; and cosmetics, staffed by a cosmetician. The bath section, which management considers a growing category, will offer fine soaps and natural products.

"Our slogan is price and service," said Norman Sirota, Bottom Line's president.

Bottom Line stores vary in size from 1,200 to 3,000 square feet. Some units have pharmacy departments and such services as mailbox rental, phone answering, copying, UPS and parcel post, and a print business.

DrSN opens news bureau in Dallas

NEW YORK — *Drug Store News* has opened a news bureau in Dallas, which will serve as a base for coverage of Southwestern and Western markets.

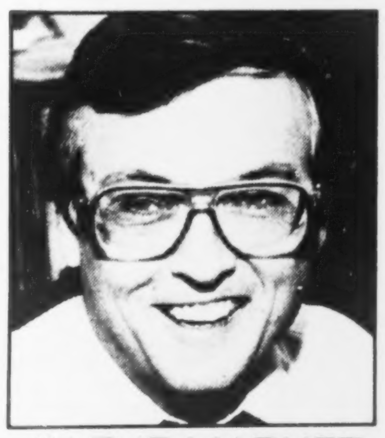
Elizabeth Richardson, who has served the past year as assistant pharmaceutical editor on *Drug Store News/Inside Pharmacy*, has been transferred from New York to the Dallas office, where she is assuming the role of field editor. While continuing to report on pharmaceutical issues, her responsibilities are being expanded to include general industry news coverage.

After graduating from the University of Texas with a Bachelor of Journalism degree, she worked at the Texas Pharmaceutical Association. She also served at *Family Circle*.

***Drug Store News* also operates news bureaus in Cleveland and Washington, D.C.**

OPINION

"Green" column gets green light



IN THE MARKET
BRUCE BUCKLEY

The pages of consumer and trade papers have been filled lately with news about the developing "green movement" among retailers and the manufacturers who supply them. The movement represents a kind of redawning of ecological consciousness that's been triggered by the worldwide fear that — not to be too apocalyptical about it — we may all soon be facing the equivalent of environmental Chapter 11, if we aren't there already.

For example, this year Pay Less launched a campaign to manage and recycle solid waste — an area of crucial importance to environmentalists, and certainly to Pay Less' environmentally savvy customers. The chain kicked off the campaign with a one-day recycling fair, said to be the first of its kind in Oregon.

The aim of the fair: to educate employees, vendors and the public about the value of recycling and waste reduction. By all accounts the event was a huge success, and in the ensuing months the chain has continued to provide strong leadership in the area of waste management and recycling.

Pay Less is just one of dozens of companies that are reacting with urgency to the new environmental consciousness that's sweeping the country. In recognition of the important role that retailers and vendors are playing in this area, *Drug Store News* will begin a new column next issue that will throw light on the environmental concerns and activities of these retailers and vendors, many of whom are, of course, our readers.

We're calling the column *Greenscape*.

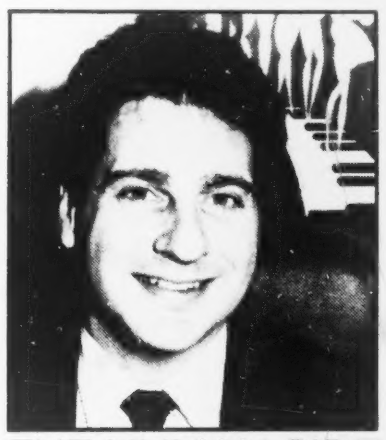
Once a month you can look forward to news about the efforts of retailers to come to grips with waste reduction and of their manufacturer partners to develop new compact products and packaging that not only cut waste but also reduce the amount of space required on retailer shelves — a solid two-bagger if there ever was one.

We'll also be highlighting national and state legislative and regulatory efforts in the environmental area that have a direct impact on retailers and their suppliers. And we'll look at environmental causes in various markets and how retailers are reacting to them.

These are just a few of the issues and trends we'll be addressing in the months to come. The column is being written by executive editor Al Heller, whose environmental consciousness was awakened long before the latest outburst of world concern. In 1979 Heller co-authored a how-to book on the use of solar energy to create low-cost, high-yield gardens year-round in virtually any climate. It was called "The Passive Solar Dome Greenhouse Book," and it went through two printings. Solar energy may not be at the top of everyone's environmental priority list today, but who knows what will happen down the road.

In the meantime, Heller will be focusing his attention on the new environmental issues and how they relate to retail business concerns. We think the timing is right.

Show respect! She could be *your* mother



THE HUMAN SIDE
AL HELLER

When people date, the saying goes, a woman tries to predict how the man may treat her in the future by watching how he treats his mother. If he shows proper respect and care, then the relationship could have a future.

Treating your mom well is not only the right thing to do; it has payoffs — both in real life and in retailing. Chances are the way you treat your mom is the way you run your business — or at least the way you treat elderly customers in your stores.

Much has been written about the graying of America, and how the 50-plus age group will swell 18.5 percent through the 1990s to 76 million people. This group, which is increasingly concerned about health issues and the prolonging of youth, already accounts for 40 percent of U.S. consumer demand. Their $800 billion combined annual income represents more than half of the nation's discretionary income.

As stated in Age Wave's *The Shifting American Marketplace*, people 50 and over spend more in drug stores than any other age group, and purchase 37 percent of all OTCs.

Now, a national survey of the mature market, "Older Consumer Orientations Toward Marketing Practices and Responses to New Products," offers valuable insights into the thinking and motivations of these veteran shoppers. The study, sponsored by the American Association of Retired Person's Andrus Foundation, was conducted by George P. Moschis, director of the Center for Mature Consumer Studies at Georgia State University. The study is based on a mail survey of 1,515, including responses from 951 adults aged 55 and over.

Some highlights:

- Older adults are more loyal to stores they patronize than younger shoppers, with 72 percent saying they prefer to do most shopping in a particular store. Older consumers also expect more services from retailers. They value the presence of a personal advisor (notable for cosmetics and pharmacy) and efficient handling of returned merchandise. The report noted further that 43 percent of mature shoppers "don't mind paying higher prices if a store is conveniently located."
- Promotions may not be as effective at encouraging brand trial or switching with older adults as they are with younger consumers. The older group is more likely to use such incentives to save on the products they usually buy. When asked about free samples, 46 percent said, "I would hesitate buying a new health care product if I haven't used a free sample of it."
- Slightly more than half of older adults feel entitled to more discounts than younger people, the report noted. And while 27 percent said they "like advertisements that show products especially for older people," they don't respond nearly as well to advertisements they perceive as pandering. Close to one in three said they have avoided buying products when they felt ads improperly stereotyped an age group. Simply, they think of themselves as younger.
- Older consumers want to make intelligent product choices. To avoid costly mistakes, many stick with well-known brands rather than try new or lesser-known brands.

Treating your mom well is not only the right thing to do; it has payoffs — both in real life and in retailing.

The portrait I get of these people is that they are cautious, loyal, vigorous and value-seeking.

When visiting your stores, keep these impressions in mind. And if you see some older ladies, think of your mom and treat them accordingly.

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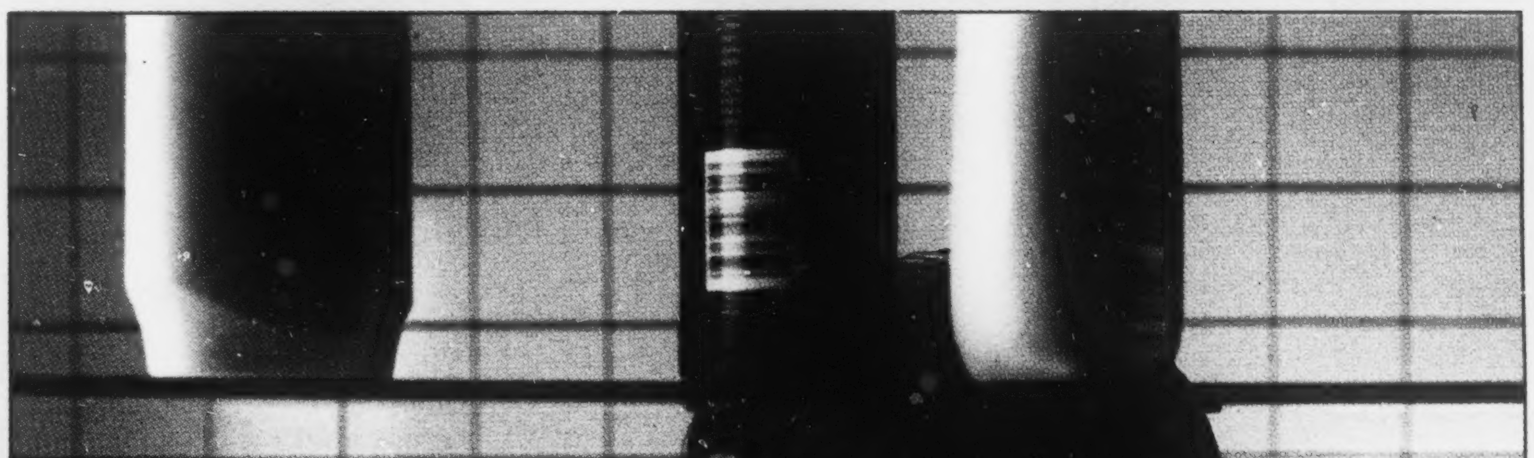
GALLUP '90 CONSUMER STUDY

Romancing the female customer—and succeeding



Food stores scored low on prices and selection, but 89 percent of women polled said convenience was a strong inducement to buying styling aids and other beauty products while loading up on family foodstuffs.

Cont. from page 1

For the women's survey, buying preferences in three product categories—facial moisturizers, hair styling aids, and bath and shower products—were examined.

Based on these findings, convenience and price are very important to shoppers, so it is encouraging that drug stores scored relatively high on these dimensions, at least with core customers.

Moreover, Gallup findings indicate that drug stores could improve purchasing motivators such as product assortment, exciting merchandising, service and ambience.

When Gallup asked women users of, say, facial moisturizers, how drug stores might make themselves better places to shop, more than a few suggestions were offered.

Cited most frequently: sharper prices and better value. Almost as often, people said: stock a greater variety of brands, use more colorful point-of-purchase displays, run more advertised specials and offer service "when needed."

Women also vocalized that they want to be able to find their preferred brands more easily, and they enjoy free samples.

On an overall basis, food stores scored low on prices and selection—but 89 percent of women polled said convenience was a strong inducement to buying styling aids and other beauty products while loading up on family foodstuffs.

While it appears that drug stores are able to make some women happy on convenience and price, they have lots of company here in well-located food and discount chains.

So it seems necessary for drug stores to develop additional ways to attract consumers while doing everything possible to strengthen their image as convenient, reasonably priced stores to shop.

Also, to reach a broader base of customers, drug stores will have to put more effort into providing better service, a broader assortment of quality products, and a constantly exciting environment in which to shop.

Aging boomers drive moisturizer market

It is easy to understand why facial moisturizers are one of the fastest growing categories in cosmetics and toiletries.

America's baby boomers have matured to the point where they worry about dry and sun-damaged skin. And they want to project a healthy body and a youthful appearance.

Women are also better informed about grooming, and no longer try to conceal dry or flawed skin under makeup.

Manufacturers are also stimulating the category by launching new moisturizing products and advertising them aggressively.

Manufacturers are also helping women move away from simplistic products that promise to do everything for the skin to sophisticated regimens or combinations of specialty products that can be used to cleanse, tone, and moisturize not only the whole face, but also specific problem areas like the eyes or neck.

Packaging for mass market lines like Plenitude, Neutrogena, Almay, Clarion and Olay, to name a few, has become much more sophisticated. Many mass lines are now as attractively packaged as the more expensive department store lines.

Shelf displays like those used by Neutrogena and Plenitude also help organize the category for women, making it much simpler to find and identify the cleansing and moisturizing products best for the individual shopper.

Television and print ads also help explain the category as well as individual products, and Clarion shoppers can use in-store computers to help identify their specific skin care needs.

Chains are trying to figure out what is the easiest way to present skin care to shoppers: Should franchised lines be on the wall next with the rest of their brand family or should they be in a generic skin care set?

64-percent usage

With this as background, it's no wonder that Gallup discovered that 64 percent of all American women use some type of facial moisturizer today. Breaking it down further, 30 percent use such a product more than once a day, and 55 percent of all women say they use a moisturizer on their face at least once a day.

Typically, these aren't women trying to cure problems. These are usually women who are trying to prevent premature aging or wrinkling or dry skin, rather than simply reacting after the problem develops.

Most of the fashion brands like Olay and Plenitude don't even take a therapeutic marketing position. Their advertising and packing promise to enhance the natural beauty of the skin rather than just treat the skin.

Olay, as the first mass market moisturizer, has been in the public's eye the longest, and its advertising has been so successful in positioning the products as beauty enhancers that more than nine out of every 10 women recognize the Olay name.

So it's not surprising that Olay was mentioned most often as a preferred brand; 19 percent of the women who used a moisturizer did so.

American women are also still more comfortable using a single product on their face rather than a regimen of products. Almost three-fourths (74 percent) of all skin moisturizer users told Gallup that they use just one product. However, 24 percent of all moisturizer uses do adopt a regimen approach, and these users say they have at least two or three products they use regularly to treat the skin.

Price is something of a factor when it comes to buying moisturizers, as 25 percent of all women who buy moisturizers said they usually spend $4.99 or less for the brands they prefer.

However, a large number of users, 43 percent, said they normally spend between $5 and $11.99 for a moisturizer, and 19 percent said they spend between $12 and $20 plus for facial moisturizers.

Mean expenditure: $9.04

Although the rest of the respondents said they didn't know how much they spent, the mean expenditure for a moisturizer was $9.04, which suggests that women expect to pay more for a high quality skin care product.

It also explains why dollar sales for skin care products were up an average 15 percent in drug stores last year, according to Nielsen Marketing Research, and why food and mass merchandise chains are also getting double-digit increases in this category, up 14 percent and 18 percent, respectively, last year in dollars.

Even though food chains and mass merchandisers are obviously going after the skin care shopper with expanded space, discounted prices, and expanded product assortments, many buyers for chain drug stores think that skin care products give drug stores a unique opportunity for courting quality-minded department store shoppers.

Many also feel that a strong skin care program can also help discourage the defection of shoppers into food and mass merchandise stores, primarily because these stores may not be as able as drug stores are to provide service in this important category. They may also find it harder to carry a broad range of the higher quality lines.

One buyer said that when drug stores aggressively advertise skin care and properly merchandise and display a broad assortment of brands, including trusted brands, they have a better chance to attract the higher-income shopper.

% of women who use facial moisturizers

Users	64%
Non-users	36%

Based on use in past four weeks
Source: Gallup Organization

Where women expect to find facial moisturizers

In the cosmetics department	75%
In the toiletries department	19
No opinion	6

Based on use in past four weeks
Source: Gallup Organization

Where women most often buy facial moisturizers

Regular drug/discount drug stores	31%
Department stores	22
Mass merchandise stores	14
Door-to-door salesperson	12
Food store	8
Mail order	3
Specialty store	2

Based on use in past four weeks
Source: Gallup Organization

Why women shop drug stores for facial moisturizers

Convenient to home/ office	42%
Good prices	37
Good selection	11
Easy to shop	3
Carries top brands	2

Based on women who shop drug stores for moisturizers
Source: Gallup Organization

Most women opt for specialized settings when buying skin care

Drug chains are trying to attract a broader base of shoppers by stocking more upscale skin care, cosmetic and fragrance lines, often presented in showcase fixtures.

Most women will pass up the convenience of one-stop shopping in a food store to go to a more specialized drug or department store to buy moisturizing products for their skin.

Toiletry and cosmetics buyers said this isn't surprising, because women worry about the products they put on their face. They either want a brand they know they can trust like Almay or Plenitude which are easier to find in drug stores, or they want a department store brand like Clinique, Lancôme, or Estée Lauder.

Many women also like to buy facial moisturizers from door-to-door salespersons from Avon and Mary Kay.

But the most interesting part of the Gallup moisturizer survey is how much opportunity there still is for drug stores to develop this category.

Although half (49 percent) of American women currently shop drug stores for facial moisturizers, the other half, 51 percent, are buying moisturizers either in department stores, food stores, mass merchandise stores, specialty stores, mail order, or from door-to-door salespeople.

If drug stores can generate growth of 15 percent and 20 percent a year selling to only half the universe of users, what could they generate if they could attract an even broader base of shoppers?

Gallup also provided insight into why some women choose to shop drug stores for moisturizers. The women who shop drug stores for moisturizers are interested mainly in two things: convenience and price.

Those who don't shop drug stores for moisturizers said they could be persuaded to shop there if drug stores carried "better brands, priced more competitively, [and] offered more variety and advertised the category more."

When women are in a drug store, they also think they should be buying their moisturizers in the cosmetics department: three-fourths of the respondents expected to find facial moisturizers there. Only 19 percent said they expected to find facial moisturizers in toiletries.

Every drug chain that's currently working on a special skin care set for cosmetics seems to be right in line with what women expect and want.

Regimen vs. one-product users

Use a regimen	24%
Use one product	74

Based on use in past four weeks
Source: Gallup Organization

What women spend on facial moisturizers

$3.99 or less	16%
$4.00 to $4.99	9
$5.00 to $5.99	12
$6.00 to $6.99	9
$7.00 to $9.99	14
$10.00 to $11.99	8
$12.00 to $14.99	7
$15.00 to $19.99	3
$20.00 or more	9
Mean	$9.04

Based on use in past four weeks
Source: Gallup Organization

What drug stores should do to attract users of facial moisturizers

Carry better brands	13%
Price more competitively	13
Offer more variety	8
More colorful displays	4
Advertise more	3
Offer more service	3
Make shopping convenient	3
Offer free samples	2

Based on use in past four weeks
Source: Gallup Organization

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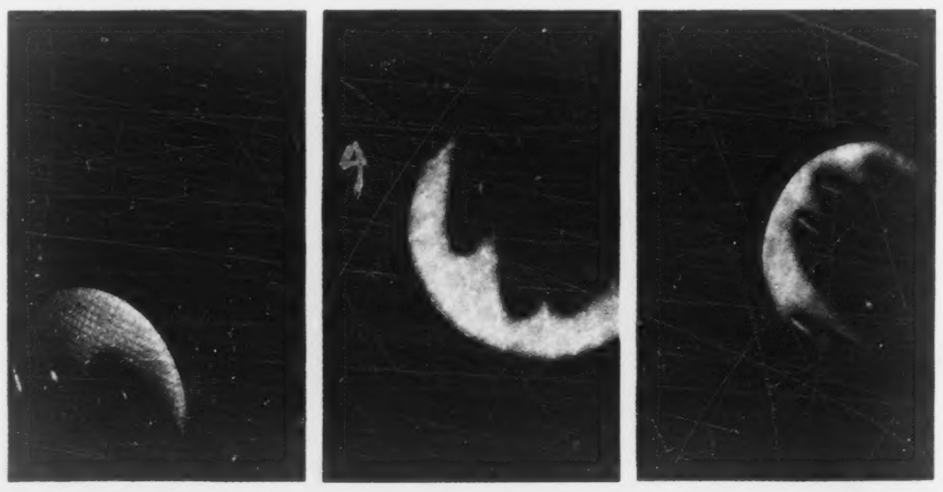

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*Source: Simmons Market Research Bureau, Inc. 1987.

Favorite brand of moisturizer

Oil of Olay	19%
Avon	11
Clinique	9
Mary Kay	5
Pond's	5
Lancome	3
Estee Lauder	3
Neutrogena	3

Based on use in past four weeks
Source: Gallup Organization

How often women use facial moisturizers

More than once a day	30%
Once a day	55
4-6 times a week	3
2-3 times a week	6
About once a week	3
Less than once a week	3

Based on use in past four weeks
Source: Gallup Organization

Teenagers dig the broad makeup variety found in chain drug stores

According to a special research project done exclusively for *Drug Store News* by *TEEN* magazine, 74 percent of all teens buy makeup in drug stores—a dominance that reflects the variety of popularly-priced mass brands teens can afford, as well as convenience.

Broad variety was the most frequently cited reason why teens choose to shop drug stores, with price and convenience also important.

The fact that drug stores can stay on top of trends and can be counted on to stock the latest hot products was also cited often, as was the perception that drug stores can be trusted to keep makeup products fresh.

Service cited

Service is also important to teens when they feel they need it, but it is not an overwhelming issue.

When *TEEN* asked young readers how they would "makeover" a drug store if they could, the most frequently mentioned improvements were all things that added excitement.

They included: in-store sampling; running sales; improving variety and fashion in the stores; and using more colorful displays.

How teens would give drug stores a cosmetics makeover

Offer samples	29%
Discount prices, run sales	14
Improve variety, offer latest fashion	13
Have more colorful displays	12
Improve service	11
Carry better brands	7
Improve lighting	6
Advertise to teens	5
Offer makeovers	4

Source: 'TEEN Research

Why teens buy makeup where they do

Variety	84%
Price	64
Close to work/home	47
Have latest products	37
Products are fresh and clean	27
Knowledgeable sales help	25
No animal-tested products	10
Pleasant ambience/ environment	7

Multiple mentions
Source: 'TEEN Research

Where teens shop for makeup

Drug stores	74%
Department stores	43
Discount stores	28
Grocery stores	22
Specialty stores	19
Mail order/catalogs	15

Multiple mentions
Source: 'TEEN Research

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Gel, mousse use on upswing as women seek manageability

To help achieve and maintain flattering hair styles, American women buy shampoos and conditioners that promise to add sheen or height to hair, or make hair more manageable or softer.

They also buy sprays, gels, spritzes, mousses and other styling aids with eagerness to look their best.

So it's understandable that Gallup has discovered that most American women, 60 percent, do use some kind of styling product on their hair, and that both gel and mousse usage are increasing.

Almost half (49 percent) of all women who use mousse told Gallup interviewers that they were using it more frequently today than they were several years ago; 61 percent of all gel users said they were using gels more frequently.

Also, 38 percent of all women who use a mousse or a gel use these products at least daily. Another 33 percent use them at least two or three times a week.

Hair spray is used even more often: 72 percent of the women who use a spray said they use it at least once a day; and 17 percent use it two or three times a week.

The heaviest styling aid users are 18 to 34 years old.

Black women were less likely to use sprays, mousse and spritzes than white women, but they were heavier users of gels, curl energizers, and sheens. More so than whites, they have problems with processed or overly dry hair; these are all products designed to help women cope with these difficult areas.

Preferred hair sprays are mostly in the value- to medium-priced range: White Rain, Aqua Net and Final Net.

However, Paul Mitchell, a salon brand, was mentioned often, as was Rave and the recently introduced Salon Selectives spray.

Spray loyalty fragmented

Sprays is a relatively fragmented category, with brand loyalties stretched over a fairly large number of brands, but White Rain and Aqua Net were mentioned most often as favorites. They were chosen by 9 percent and 8 percent of all respondents, respectively.

Drug stores are preferred outlets for hair styling products

Regular/discount drug stores	34%
Discount department stores	25
Food stores	16
Beauty salons	12
Beauty supply stores	4
Department stores	3
Specialty stores	2

Based on use in past four weeks
Source: Gallup Organization

The same fragmentation of loyalties is also evident in the gel and mousse categories as well as in shampoos.

In the mousse category, 8 percent named Clairol's Condition as their favorite, and 7 percent each named Suave and White Rain; then the category became very fragmented.

In gels, 9 percent picked Dep as their favorite; 6 percent each went for Paul Mitchell and Vavoom, both salon brands; and another 5 percent each went for Clairol and L'Oréal's Studio Line gel.

In shampoos, the strongest loyalty was to Nexxus, a salon brand, named by 7 percent. Suave and Pert Plus, which is a shampoo-conditioner in one formula, were chosen by 5 percent of the respondents each.

Buyers weren't surprised by these findings. "Women like to switch and try all different kinds of hair care products," one buyer said. "They want to give their hair a rest from what it's been used to, and they like to try other brands to see if something new will work even better."

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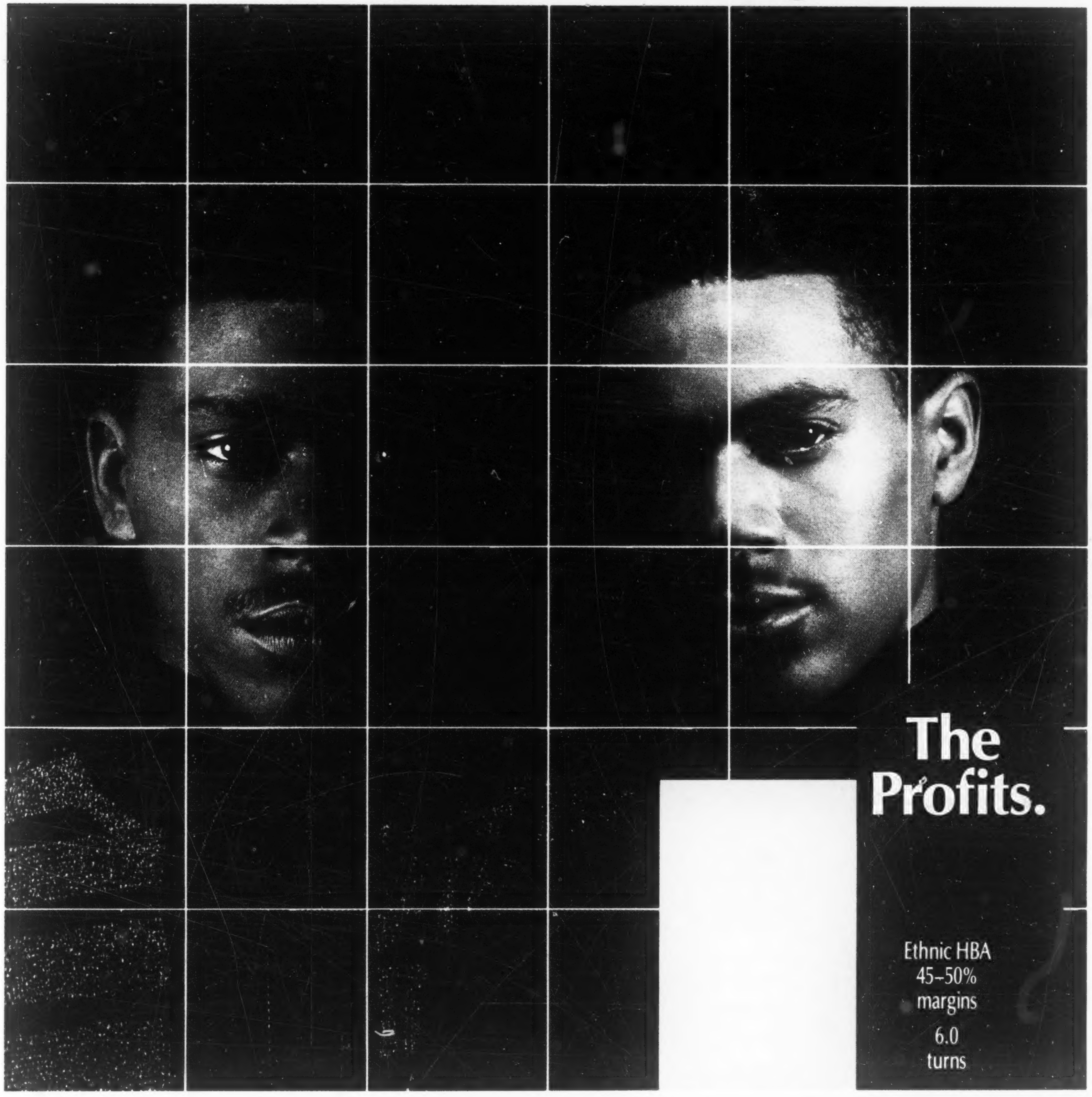

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Drug chains score with hair care convenience, pricing

For women buying hair care products, convenience and price are the biggest motivators—and drug stores appear to have that combination in the greatest amount.

Drug stores, named by 34 percent of female Gallup respondents as the preferred place to buy this category, lead all other trade classes because they are easy to visit quickly and can price sharply.

Of course, food stores and beauty salons offer their own brand of convenience, and are making inroads. But the merchandising efforts made by drug chains and deep discounters to display mass and professional brands with excitement are paying off.

The Gallup findings confirm what many buyers have felt for awhile: that for drug stores to keep the lift in hair care departments, they need to devote more footage to the category, stock broad assortments of professional and mass brands, and price comparatively with food and mass merchandise chains.

For drug stores to keep the lift in hair care departments, they need to devote more footage to the category.

The biggest edge drug stores have is convenience—cited by 62 percent of the women who said they buy styling aids in drug stores.

Only 20 percent of the women who bought styling aids in drug stores said their purchase was motivated by price. One buyer said he felt that chain drug stores should be double checking their prices on at least the most visible brands or the best known brands to make sure their stores are featuring prices that can motivate a sale—especially when competing against Wal-Mart or K mart.

On a space basis, the much larger discount department stores often give more space to styling aids than chain drug stores can. In a special analysis done for *Drug Store News*, Nielsen Marketing Research reported that in 1989, the average mass merchandiser gave styling aids or fixatives 86 feet of space compared to 72 feet for an average drug chain.

Preferred shampoo brands

Nexxus	7%
Suave	5
Pert Plus	5
Prell	4
Ivory	4
Head & Shoulders	4
White Rain	3
Finesse	3
Redken	3
Perma Soft	3
Jhirmack	3
Salon Selectives	2
Revlon	2
Pantene	2

Source: Gallup Organization

Why women shop particular outlets for hair styling products

Convenient to home/office	44%
Good prices	38
Good selection	8
Only place that carries preferred brand	5
Salon products are superior to mass market products	3
More comfortable with beautician recommendation	3
Service/sales help	1

Based on use in past four weeks
Source: Gallup Organization

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Gallup: Hair care

Sales of hair styling products are booming in deep discount drug chains like Drug Emporium. In addition to low everyday prices, deep discount drug chains also offer women shoppers service and a rich selection of product.

Brand loyalty in the shampoo category is very fragmented. Some of the most frequently mentioned favorite brands are Nexxus, Suave, Pert Plus, Prell, Ivory and Head & Shoulders.

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Price and convenience are the primary motivators of hair care purchases in drug stores, and often the main reason women shop deep discount chains like Drug Emporium for hair care products.

Preferred gel brands

Dep	9%
Paul Mitchell	6
Vavoom	6
L'Oréal Studio	5
Clairol	5
Dippity Do	4
Salon Selectives	3
Nexxus	3
TRÈSemmé	2

Based on use in past four weeks
Source: Gallup Organization

Percent of women who use hair styling products

Hair spray	60%
Mousse	28
Gel users	21
Spritz users	14
Curl energizer	4
Sheen	3
Volumizers	2
Glazes	1

Based on use in past four weeks
Source: Gallup Organization

Preferred hair spray brands

White Rain	9%
Aqua Net	8
Final Net	6
Paul Mitchell	5
Rave	5
Salon Selectives	3
Clairol Mist	3
Finesse	3
Style	3

Suave, Adorn, Vidal Sassoon, Breck, Jhirmack and VO5 were each named by 2 percent of users.
Based on use in past four weeks
Source: Gallup Organization

Women use mousse more often

(Current usage vs. several years ago)

More frequently	49%
Less frequently	16
About the same	35

Based on use in past four weeks
Source: Gallup Organization

Preferred mousse brands

Clairol Condition	8%
Suave	7
White Rain	7
Vidal Sassoon	4
Alberto VO5	4
Salon Selectives	4
Perma Soft	4
Paul Mitchell	3
TRÈSemmé	3
Finesse	3
Sebastian	3

Based on use in past four weeks
Source: Gallup Organization

Women use gel more often

(Current usage vs. several years ago)

More frequently	61%
Less frequently	14
About the same	25

Based on use in past four weeks
Source: Gallup Organization

Chains look to clean up with bath boutiques

Lately, many chain drug stores have been examining their bath planograms, looking for ways to escalate growth by tying in bath with a variety of indulgence-type products like skin care and fragrances.

Most buyers see bath care as a "growth category" in their stores, up 12 percent to 20 percent in some chains.

The category is also getting more attention from manufacturers like Neutrogena, Jean Naté, Vitabath, Yardley, Le Spa, La Loren, Vaseline Intensive Care, and a host of smaller, regional brands. Many are trying to create a new category for drug store retailers—boutique bath products.

Many buyers see the potential for increased sales in the success of specialty bath shops like Evelyn & Crabtree or The Body Shoppe.

There is certainly a strong base for growth. Gallup discovered that 49 percent of all American women over 18 use a bath product, meaning the remaining 51 percent are all potential users.

Heavy use reported

Bath product users are also relatively heavy users. More than half (60 percent) of the respondents who used a bath product used it at least once a day or more. Another 22 percent used bath products at least two or three times a week.

Bath powders and bath oils that dissolve in the water to add moisture to the skin and to perfume it are the most popular, used by 23 percent and 19 percent of the respondents, respectively.

Women under 24 aren't as prone to use bath products as their older counterparts. Women over 50 are more likely than younger women to choose a bath powder.

Black women are not as likely as whites to buy bath powder, but are more likely than whites to prefer bath oils, bath lotions, and bath beads, with oils and lotions their most-preferred items.

Half of all women also use moisturizing lotions; 39 percent use dusting powders; and 15 percent use a perfumed splash.

There is some increase in how often women use bath products; 29 percent of all users told Gallup they use bath products more frequently today than they did several years ago, and only 10 percent said they use them less frequently.

Women who use bath and shower products

Powders	23%
Oils	19
Lotions	13
Gels	7
Beads	6
Never use	51

Based on use in past four weeks
Source: Gallup Organization

Preferred bath brands

Avon	18%
Johnson & Johnson	11
Calgon	7
Vaseline Intensive Care	6
Neutrogena	4
Shower To Shower	4
Vita Bath	2
Jergens	2

Based on use in past four weeks
Source: Gallup Organization

Drug stores are preferred outlets for bath and shower products

Regular/discount drug stores	34%
Discount department stores	17
Door-to-door sales persons	14
Food stores	13
Department stores	9
Mail order	3
Specialty stores	2
Beauty shops	1

Based on use in past four weeks
Source: Gallup Organization

Why women shop particular stores for bath and shower products

Convenient to home/office	42%
Good prices	33
Only place that carries preferred brand	10
Good selection	4
Service/sales help	2

Based on use in past four weeks
Source: Gallup Organization

Drug stores kick up splash as bath source

Most women will buy a bath product wherever it is most convenient for them—with drug stores kicking up a splash on that count.

Gallup found that 34 percent of the respondents bought their bath products in drug stores, with 56 percent of them citing convenience, and another 31 percent naming price as their motivators.

The drug store share doubles that of discount department stores, named by 17 percent of Gallup respondents. Door-to-door salespersons, food stores and department stores followed.

Many toiletries buyers believe stronger growth in bath would result from more space for a broader, more organized presentation. They would also like sharper prices to enhance their competitiveness.

In terms of favorite brands, Avon was named by 18 percent of the women who use bath products as their favorite; Johnson & Johnson bath products were named by 11 percent; Calgon and VIC were named by 7 percent and 6 percent, respectively.

After that, the category fragmented and brand loyalties trickled down to a variety of brand names, with Neutrogena, Shower To Shower, Vita Bath, and Jergens getting the strongest recognition in a crowded field.

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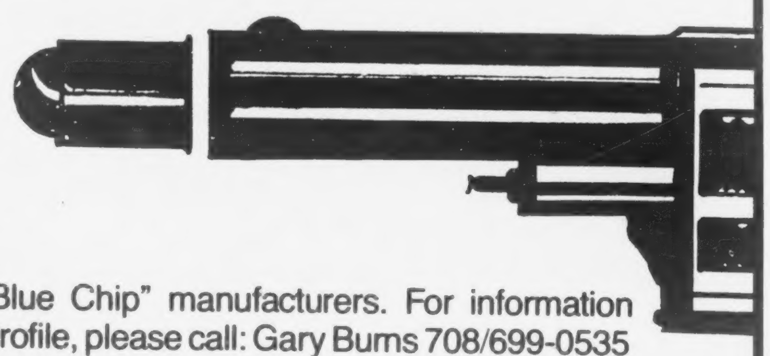
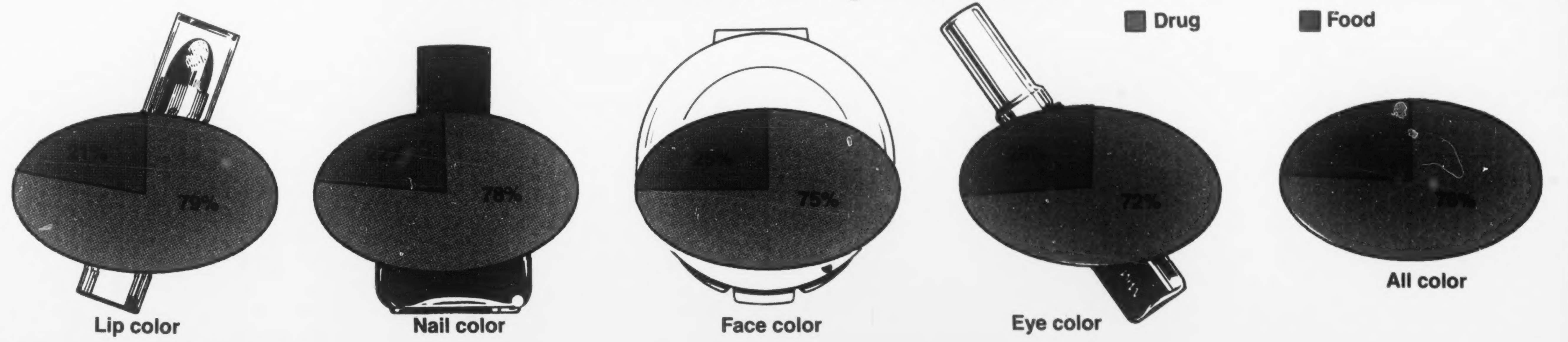


1989 cosmetics sales share: drug vs. food stores



Source: Nielsen Market Research

Fragrance, cosmetic sales each top $1B mark

Merchandising and operational changes, along with hot new product launches, spark sales from 8 to 10 percent at some drug chains.

Color cosmetic sales in drug stores increased 3 percent in 1989 to $1.08 billion, according to Nielsen Marketing Research.

Drug store fragrance sales were also up, showing an increase of 5 percent to $1.06 billion for the year.

However, buyers for some of the industry's most progressive drug chains say their cosmetic and fragrance sales increases were a lot better than the norm—up 8 percent to 10 percent over the previous year. The reasons: merchandising and operational changes implemented in recent years and hot new product launches like Plenitude, New Definition Make-up, Ex Cla Ma Tion, Navy, California, Aspen, Grow Strong and Mattique.

Some chains, though, report increases that were not as strong. Some buyers say sales were flat or up only marginally, and most attribute the lack of growth to sluggish economic conditions in their markets.

In most areas of the country, buyers also say they are continuing to feel pressure from low-price competitors, particularly discount chains such as K mart and Wal-Mart and deep discount drug operators such as Drug Emporium, Phar Mor and F&M.

Drug chain strategies

Most of the drug chains interviewed for this report were among the top 15 companies in dollar volume. Generally, the chains experiencing above-average growth in cosmetics attribute their success to a variety of changes they have been making over the years in both merchandising and operations.

Many of these chains report that they have been able to drive sales because they are putting more trained service personnel into cosmetics, a move that one source described as a "catalyst" for growth.

In addition to service, many chains have latched onto merchandising strategies employed for years by department stores to build their cosmetic franchise.

By emulating successful department store techniques, buyers believe they are strengthening ties with their current shoppers, while also making their stores attractive to the potentially rich market represented by department stores.

Department store woes

Yet buyers today are trying to take advantage of the fact that many department stores are in dire straits, apparently unable to generate enough traffic to sustain their fashion departments, including cosmetics.

So, in addition to trying to reinstate service in their stores, many of today's modern drug stores are trying to upgrade their mix to include a broader range of designer cosmetics and fragrances.

Many chains are trying to create what buyers call "skin treatment centers" that put more emphasis on the franchised brands and regimens of treatment products while at the same time making them easier to find and easier to understand.

Most of the major chains like Walgreens, Eckerd, Osco, Perry, Peoples, Revco, Arbor, Genovese, Longs, and SupeRx, as well as many smaller chains like Snyders, Crown and Bill's, now sponsor training schools to teach cosmeticians selling skills.

Chains are also testing different ways to improve the presentation of high growth or high profit "image" departments, such as skin care, bath products, cosmetic accessories, makeup brushes, jewelry, hosiery, ethnic products, and premium or semi-professional hair care brands.

Eckerd tests department

Eckerd Drug, for example, is currently doing a 40-store test of a skin care department which houses mass and some prestige lines together in one convenient location.

SupeRx has created a skin care planogram that features a 4-foot set of franchised brands like Almay, Max Factor, Clarion and Revlon treatments, leading into the mass brands in SupeRx's toiletries aisle.

It's the same strategy many drug chains now use in their mass hair care planogram, leading off with a four-foot or larger presentation of premium priced professional or semi-professional lines, then branching out into mid-priced lines and finally ending with the value lines.

More space in the mass planogram is also being given to high-priced premium lines. In skin, that means lines like Plenitude, Neutrogena, Nivea and Olay as well as the top brands in the dry skin segment like Lubriderm and Keri.

In hair, it means the professional lines such as Redmond, Aussie, Infusium, All Set, TRÈSemmé, La Coupe, Vidal Sassoon, Pantene, and Jheri Redding, as well as some of the more cosmetic or conditioning brands that originated on the West Coast, such as Freeman's hair and skin care, Amitee hair and skin care, Biotene 24-H, and Sleepy Hollow.

Chains are also trying to "liven up" their stores, as one buyer put it, by periodically staging exciting events like fragrance samplings or nail care demonstrations or, in the case of deep discount chains like Drug Emporium, mini-fashion shows at holidays such as Mother's Day.

Chains use videos

More chains are also using manufacturer-supplied videos as part of their endcap displays. Usually these videos supplement the store's attempts at providing service by explaining how certain products work—like Plenitude's serum lotion, for example—or telling customers what to buy if they have a specific problem with their nails or hair.

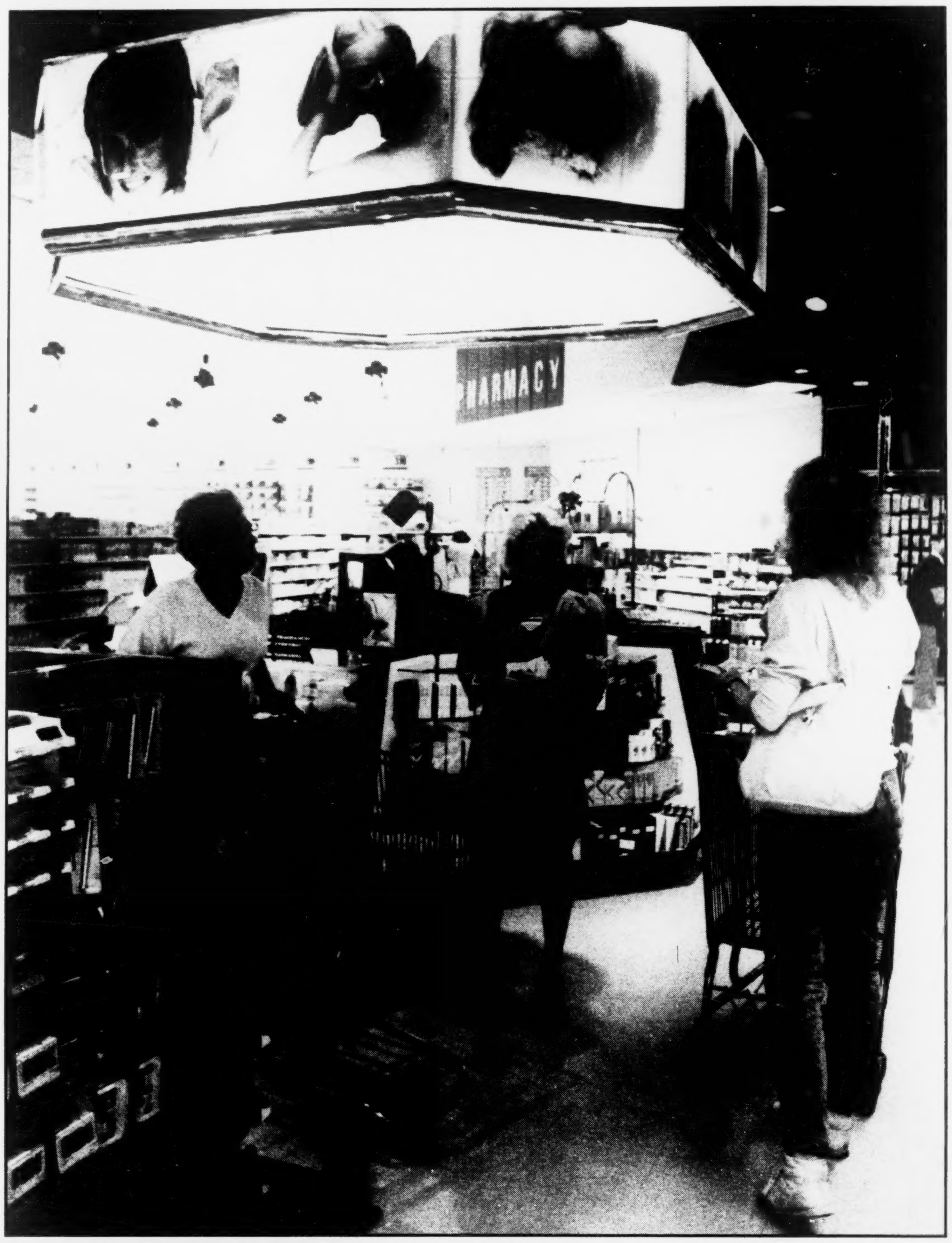
Models supplied by major mass manufacturers such as Max Factor are also showing up in drug stores, demonstrating how to layer fragrances, and encouraging customers to buy a "wardrobe" of fragrances, not just a cologne, but also body talcs, skin lotions and deodorants.

And many drug chain buyers say they are experimenting with gift-with-purchase promotions, a prominent sales tool in "class" outlets.

REVLON
LOREAL
MAX FACTOR
ALMAY
AZIZA

Sav-on in California uses an airy cosmetics presentation so women can browse comfortably. The chain's merchandising approach transforms just another department into an attractive cosmetic center.

Nielsen: Retailer fragrance strategies



Food chains such as Vons Pavilions are adopting more department store sales techniques to build traffic in their cosmetic departments. Sampling is a particularly effective way to build sales, buyers say.

Buyers sniff out scents of life in fragrance category

For the first time in a long time, many drug chain buyers are reporting growth in the fragrance category.

Although some chains say that Mother's Day sales were unexpectedly disappointing, others report their overall fragrances sales for the year are up anywhere from 5 percent to 10 percent.

Buyers attribute part of the growth to improvements in merchandising and presentation as well as to expanding their product mix to include a broader representation of department store brands, including diverted brands like Red, Uninhibited and Passion.

Hot launches

Most buyers also say that some of the newest mass market launches like California, Aspen, Dare, Electric Youth and Ex Cla Ma Tion, have also done very well this past year, with Ex Cla Ma Tion still continuing to be named as the best of the new launches.

Now expectations are high that more new launches will make this Christmas an even better selling season than last year.

Most buyers are positive about Coty's upcoming launch of Preferred Stock for Men, Factor's California For Men, Quintessence's Aspen for Women, and Revlon's Unforgettable (for women). The reaction to Shulton's upcoming launch of Sante Fe for Women, and MEM's Fathom (for men) are a little more subdued, but still hopeful.

Several buyers describe Coty as the best fragrance house in the mass market industry, with marketing expertise that has made Stetson and Lady Stetson the leaders in their class and Ex Cla Ma Tion one of the best new product launches of recent years.

"Coty has the follow-through to make things work out," says the cosmetic buyer for a major West Coast chain. "And if something doesn't happen to work out, as occasionally it can, they take care of it."

"They have a great record and they spend money," says a source for one of the industry's top five chains. "Preferred Stock will have a higher than average price point, but I think it will sell."

High on California

Optimistic expectations are also being voiced for Factor's California For Men, but with some reservations. Some buyers think it may do even better than California because, as one reasons, "it should appeal to men even more than California appealed to women, because it's macho and sporty, and men are more into surfing and tanning and all the other ramifications of the California scene."

One buyer thinks the launch may suffer a little because he perceives that the popularity of the line's signature spokesperson, actress Jaclyn Smith is waning, but even this source believes it should do well if Factor supports it as promised.

Aspen for men was a good launch and so was Qunitessence's launch of Dare, which preceded Aspen. So, given the company's track record, buyers feel Aspen For Women would at least be a decent launch, and possibly one that could exceed expectations.

Sante Fe For Women and Fathom are more of a question mark, according to buyers. Sante Fe for men has had a relatively slow build in many chains, and buyers wonder how much of a demand there will be for a companion brand for women.

Some are also afraid that there might not be enough advertising behind either Sante Fe or Fathom to support the launch.

Buyers had similar reservations about Revlon's launch last year of That Man. They were afraid Revlon wasn't prepared to spend enough on advertising to support the launch, and they felt the name was too vague.

So far, their fears have been realized. That Man, has not sold well, according to buyers in the chains we talked to.

Unforgettable launch

Now, however, many buyers think Revlon has learned a lesson and there is a more hopeful feeling that Unforgettable will be a good launch. Revlon has promised to spend $7 million to support it and buyers say if they do that and if the scent is good, Unforgettable should do well.

Some buyers are concerned, however, that the price point may be too high for many drug store customers.

So far, the strongest launch of this year has been Cover Girl's Navy. Most sources say Navy has been selling well in all stores. Prince Matchabelli's Luna Mystique has been a good launch, but, for most chains, not as strong as Navy.

This year with more drug chains stocking designer scents, the growth in alternative designer fragrances has gotten even softer. Buyers say the category has peaked and chains have pared back to the brands and lines that turn the best for them.

Primo is still in just about everyone's planogram, but some of its sister brands like Ninja are under review in some chains and may ultimately be eliminated.

After Parfums de Coeur, which makes Primo, there are only a few companies that buyers mention frequently as doing well for them. They are Deborah with Sensational Scents, and Delagar with Mystic Impressions and Classic Match.

One chain, however, reports "blowout sales" for a line of ADFs made by a company called Jean Phillipe. The price point is $2.99 and the source says that each time she features them, they sell through in weeks.

Fragrance sales grow in drug stores

(Dollar sales in millions)

Category	1988	1989	% change
Women's fragrances	$ 633.6	$ 671.5	6%
Men's fragrances	376.7	391.1	4
Total fragrances	$1010.3	$1062.6	5%

Source: Nielsen Market Research

Nielsen: Retailer cosmetic strategies

Mascaras, skin treatments pace cosmetic sales

Cosmetics
Cosmetics
REVLON

Stores like Drug Emporium have bullpen service counters manned by cosmeticians. The upscale look makes shopping for cosmetics much more pleasant and interesting, and someone's always on hand to answer questions.

What are the strongest growth categories in cosmetics today?

According to manufacturers and chain drug buyers there are some seven or eight categories leading the way. They include mascaras, skin treatments, foundation make-ups, lip sticks, nail color, blushes and eye and lip liner pencils.

Nail treatment sales have leveled off from their boom years of the mid-'80s; artificial nail sales are down sharply; and eye shadow sales are soft.

"Mascaras are great for us," said the buyer for a 300-store chain. "But shadows are dead, and if you look at magazine ads, you can see why. This year, the trend seems to be away from heavy color on the eyes and toward more subtle shades on cheeks, lips and nails."

Outstanding launch

Plenitude, with a $35 million ad campaign behind it, has been an outstanding launch. Buyers say it continues to sell very well. And, to the delight of everyone, the latest line extension—Action Liposomes—is also starting off strongly, even though it has a $15 suggested retail price.

Buyers report double-digit increases for mascaras, which manufacturers have made into a very specialized category.

The cosmetic buyer for one of the industry's top five chains said that given Liposome's ticket of $15, he is amazed at the strong start.

But then he also noted that Owens Lab has had a $12 liposome formula cream out for some time that has been showing above-average movement for its price range.

"Candermyl Milk Cream, labeled a non-bionic liposome cream for sensitive skin, has consistently done well for us," he says, "and at a relatively high price point for our stores."

Almay still stands out as one of the strongest skin care lines, with just about every buyer reporting that sales growth is continuing on that line in spite of all the new competition.

Several sources tell us Almay's new sun care line is also doing well. And Almay's new fixtures seem to be helping sales of its color products.

Chains with Physicans Formula in their planogram report strong sales, particularly of skin care and face make-ups.

However, not all skin care lines are flying out the door. Revlon hasn't spent much yet to support its relatively new Pure skin care line, and buyers generally agree that movement on Pure is soft.

Reviews are mixed for Revlon's other skin care lines—Moondrops, Eterna and European Collagen lines. Some chains report sales are picking up on these lines, while others disagree.

Within skin care, eye creams are showing strong growth. Several retailers single out both Neutrogena's and Almay's eye creams as winners.

In the toiletry or mass section of skin care, Olay is still the best selling line, with most buyers saying there has been little or no cannibalization of sales because of new players. Neutrogena and Nivea are both doing well. And so are brands positioned for dry skin like Lubriderm and Keri.

Mascara sales up

Most buyers report their mascara sales this year boast double-digit increases. Manufacturers have made mascaras a very specialized category. Chains today can sell women whatever they think they need to make their eyes look good: thickening mascaras, lengthening mascaras, no color mascaras, strong color mascaras, light color mascaras, and waterproof mascaras.

Every buyer we talked to said L'Oréal's Lash Out is

Continued on page 80

Cosmetics sales grow in drug stores

(Dollar sales in millions)

Category	1988	1989	% change
Eye color	$ 287.6	$ 282.6	(2%)
Lip color	251.9	272.9	8
Nail color	158.6	164.1	3
Face color	352.7	359.8	2
Total color	$1,051.0	$1,079.0	3%

Source: Nielsen Market Research

REVLON
MAX FACTOR
LOREAL
CHECK

In addition to making sure that the aisles in cosmetics are comfortably clean and wide, Perry Drug also uses fashion photography to lend the department an upscale ambiance.

Nielsen: Retailer cosmetic strategies

Continued from page 79

selling like hot cakes. They all like the looks of the newest L'Oréal mascara line, Splash Out, which is shipping now.

Maybelline's sales may have flattened, some buyers report, but its mascara business is still very strong, and buyers said Illegal Lengths, Great Lash and Fresh Lash are strong sellers.

Max Factor's No Color has quieted down considerably, but the company's latest launch, Stretch Mascara, is moving briskly, and Some Color and 2000 Calorie are following suit.

Almay's mascara sales have been picking up, many buyers say, and now the company has a new plumping line called Longest Lashes that buyers say they like.

Some sources also report that Flame Glow's new Double Take mascara has generating strong initial sales.

Even though mascara sales are strong, the same isn't true for eye shadows. Many buyers say their shadow sales have been soft this year. However, some chains report they are seeing some growth in single pan shadows. Two sources give special mention to the single pans from Clarion and Maybelline.

Most buyers also say their lip and eye liner pencils are doing well. (One chain is bringing out its own exclusive line of liner pencils.) One buyer says the Clarion liners are doing especially well because they are easy to apply and resist smudging.

Several sources also report that Maybelline's new self sharpening Turning Point eye liner is moving nicely; so, many say, is Cover Girl's Pro-Lining Perfect Point Pencils.

Face makeup picks up

In face makeup, which had been a slow segment until recently, sales for some lines are picking up.

Factor's New Definition Make Up is doing very well and early reports on the new Cover Girl Perfecting gel-based makeup line are positive.

Sources for chains such as Revco, SupeRx and Osco Drug report that Perfecting, given its higher-than-average price points for a Cover Girl make-up, is performing above expectations.

Buyers with stores in the Midwest and South also say Factor's pancake make-up is doing well, especially in these markets. Some sources also singled out Revlon's Touch & Glow loose powder makeups as being among their best sellers.

All the buyers and cosmetcians we talked to also say L'Oréal's Mattique make-up is continuing to sell strongly.

Sharon Schrage, cosmetics coordinator for Bill's Drug, says Mattique is one of the best performers in the makeup area. L'Oréal's Visuelle also continues to do well, with no one reporting any dip in sales because of Mattique.

Factor's Rose Water Blush, an item brought back from several years ago, is moving well in many chains, although a few sources say sales have slowed somewhat after a very strong start.

Revlon's Air Brush, introduced last year, is not really catching on, many buyers say.

Buyers are excited about L'Oréal's new Micro-blush, which uses new technology to deliver longer-lasting translucent color.

Revlon has repackaged its foundation make-ups and, with a few exceptions, most reports confirm that sales have responded in a positive way.

Crown's cosmetic buyer, Toni Markham, says, "Revlon's relaunch has been good for us and it has also been helped by the advertising campaign."

Lip color

Last year's fascination with bee-stung lips remains unabated this year. "The collagen trend is still big," a California-based retailer says. Some products singled out include Cover Girl's Lip Advance Powder and Coty's Nature's Lip Tint.

As usual, Revlon's lipsticks, particularly Super Lustrous, and in some chains, Moondrops, are doing well. L'Oréal's lipsticks are popular, and cosmeticians like Osco's Robin Maiden report that Cover Girl's new Lip Advance Powder On Lipstick are exceeding expectations.

Bonne Bell's Lip Smackers are selling steadily and Flame Glow's latest lip sticks are doing well.

Nail color

What Bill's Drug's cosmetic buyer, Sharon Schrage, calls "a trend toward more natural nails and sheer colors," is apparently hurting sales of bold color polishes, dragon-lady nails, French manicures kits, and other "glamour" nail items.

"The nail extender category is dead," says one West Coast source, who says she has dropped most extenders from her planogram.

Most chains say they have sharply cut back their nail care planograms, and some with limited space are just putting specialty lines or individual specialty items along the bottom or base of their peg wall.

The top performers continue to be the more established names in the category. Most sources say Revlon, Sally Hansen and L'Oréal are their best sellers in color or treatment. Several chains say Nailene products have done particularly well for them.

A number of sources also say that in the budget category, Wet n' Wild's nail color, as well as their eye pencils, are performing very well.

Cover Girl's Pro One Coat Polish is also being singled out by several buyers.

One of the major new introductions in nail care this year was Quintessence's Nouvage, which features a new delivery system through a pen-like applicator.

Quintessence says consumers need to see how Nouvage works to appreciate it, and they are investing in a major consumer education campaign to get the message across.

Buyers are hoping the campaign works, but early reports indicate that Nouvage is probably going to need time to build a following. At a suggested retail of $6, the price point is high. Even when some chains have advertised it for $3.99, movement has been soft.

Buyers think Nouvage has a chance, but only if Quintessence can succeed in making women believe the product is superior to conventional nail polish.

COSMETICS
ALMAY
FREE GIFT

Many chains have started to put their off-shelf displays on fixtures as close as possible to the cosmetics' wall, sometimes even on the wall itself. the plan is to use the special pre-packs to lure shoppers to the wall.

Drug chains retain the lead in competitive photo market

The photo department remains a competitive battleground, with stand-alone one-hour developing labs carving out a huge chunk of the lucrative photoprocessing market and supermarkets and discount stores coming on strong. In fact, drug stores have given ground to all three competitors in recent years while retaining a slim lead in number of rolls processed, according to the most recent research from the Photo Marketing Association.

The PMA shows the drug channel with 23.8 percent of the total market for rolls of film processed at retail in 1988, the latest year for which figures are available. Stand-alone minilabs remained in second place with 21.1 percent—a remarkable feat for a channel of trade that began the decade virtually at ground zero.

For drug stores and minilabs, however, those numbers mark a slight decline from the previous year. They also represent a concession of sorts to supermarkets and discounters, both of which made market share gains in the same period.

The market for film has also been roiled somewhat by intense trade channel competition and by recent price hikes from the major manufacturers. Supermarkets continue to squeeze drug chains for the business with their one-stop shopping efforts, while rising film supply prices have forced retailers into new decisions. Manufacturers pushed up the price of their rolls to help recover from last year's cutthroat competition, and retailers have had to choose between passing along the higher prices and risking a loss of business, and swallowing some or all of the higher cost and watching margins shrink. Most chains seem to have done a little of both.

Despite these headaches, however, the photo department continues to earn its keep as a major foundation of general merchandise retailing in the chain drug store. Photo processing remains a high-margin, traffic-building business, for all its competition, and film is still one of the fastest-turning products in the mix. In addition, cameras and flash accessories are small but profitable contributors to this mix.

New product development sparking film sales

Once upon a time, the film market for drug chains and other mass merchants could pretty much be described in one word: Kodak. Since the mid-1970s however, Fuji Photo Film has used rapid-fire marketing and product innovation to challenge Eastman Kodak's continuing dominance of the market.

More recently, Polaroid has attempted with apparently growing success to carve out a new niche with its all-occasion OneFilm for amateur point-and-shoot photo buffs, and small suppliers like Konica are making forays into the mass market.

Those developments have forced chain drug merchandisers to review and often to revamp their approach to the category, adding space for more brands and monitoring the performance of newer entrants vs. Kodak. Nevertheless, the increasing manufacturer competition has also sparked more aggressive product innovation and marketing efforts from the suppliers as they battle for the loyalties of a new generation of amateur 35mm shutterbugs.

Increasing manufacturer competition has also sparked more aggressive product innovation and marketing efforts from the suppliers as they battle for the loyalties of a new generation of amateur 35mm shutterbugs.

Catalyst for change

Kodak retains an estimated 80 percent of the U.S. film market, but challenges from Fuji and others have been a key catalyst for change at the once-quiet giant. In the past few years, Kodak has overhauled its management structure and product development efforts and repositioned its basic film line under the new Kodacolor Gold umbrella.

Last fall, Kodak added a 1600-speed color print film to its Gold line. Kodak has also aimed its Ektachrome line of color film—positioned for the more advanced amateur photographer—at the mass market in the past year, and in July it will start shipping Ektachrome 50, a new slide film.

"The Gold line tends to be more of a mass-market film . . . [but] there's a place for Ektachrome film for more serious photographers in the mass market," said Kodak spokesman Mike Sullivan. "Serious 35mm photographers are a very active, steady segment of the market, and they tend to take more pictures" than point-and-shoot photographers.

Rival Fuji, meanwhile, has added two new color films to its Super HG line, in 100 and 1600 speeds. The manufacturer has also rolled out Fujicolor Reala, a premium-priced ISO 100 color print film with very fine grain, intended to reproduce colors "as seen by the human eye," according to the company. The film may compete directly against Kodak's Ektachrome.

Fuji is backing its products this season with a NASA tie-in featuring astronaut Alan Shepard.

Polaroid is also busy on the research and development front, with plans to begin marketing a new color film dubbed Hybrid IV in the last quarter of 1990, and a new, compact instant camera code-named Joshua late next year. Polaroid promises sharper images and improved color saturation with Hybrid IV, and will aim "Joshua" at first-time Polaroid users.

When photo consumers usually drop off standard processing

(Percentage of all photo consumers)

While shopping	52.9%
By mail	17.5
Special trip	12.8
On way home from work	6.5
Lunch hour	4.9
On way to work	4.3
Other methods	1.1

Source: Photo Marketing Association Consumer Lifestyles Survey

Consumers' principal source for film*

(Percentage of households)

Discount mass merchandiser	38.8%
Drug store	28.4
Supermarket	13.5
Camera store	4.6
Giant combo	4.5
Department store	3.8
Mail order	3.7
Other	6.6

*Figures represent consumer responses

Source: Photo Marketing Association Consumer Photographic Survey

Usual consumer pickup time for standard processing: Demand for next-day turnaround is way up

Pickup time	1985	1988	Percent change
Same day or less	6.6%	7.1%	+ 7.6%
Next day	15.4	23.9	+55.2
Two-six days	60.1	53.4	(11.2)
One week or more	17.9	15.5	(13.4)

Source: Photo Marketing Association Consumer Lifestyles Survey

Photo processing market share

	Total market share			
	In rolls		In dollars	
Outlet	1987	1988	1987	1988
Drug stores	24.0%	23.8%	22.7%	22.6%
Stand-alone mini-labs	21.4	21.1	29.4	28.9
Discounters	18.5	18.8	15.1	15.4
Supermarkets	13.7	14.1	10.9	11.4
Camera stores	10.8	10.7	13.5	13.5
Mail order	9.0	8.8	5.7	5.5
Kiosk/other	2.7	2.7	2.7	2.7

Source: Photo Marketing Association research

New cameras aimed at niche market

On the camera front, Kodak is readying a new line of easy-to-use cameras for a June introduction, although the company was keeping a characteristically tight lid on details.

Last year, the company unveiled Stretch 35, the first one-time-use, disposable camera designed to take panoramic views with a special wide-angle lens. Kodak and other manufacturers like the potential for the disposable as a way to sell incremental rolls of film.

Determination takes time

"Because of their unique time and place characteristics, the optimal distribution pattern for disposable or single-use cameras will take time to determine," noted the Photo Marketing Association in its most recent report. "But in Japan, 10 percent of film sales already result from single-use cameras."

New from Fuji in easy-to-use 35mm cameras is FZ-6 Tele, a twin-focal length compact model with normal and telephoto lenses. The camera is blister-packed and relatively inexpensive at $69.95, including film and batteries, making it a mass-market entry.

Future mini-labs get smaller, cheaper

On the processing front, product innovators continue in their efforts to lure drug chains, supermarkets and other mass retailers into the on-site development business. Companies like Noritsu, Fuji, Copal and Print Technology/Photogo have kept up a feverish development pace to make their developing machines as compact, cheap and easy to use as possible, thus putting the one-hour mini-lab revolution within reach of most retailers.

Taking a second look

Although most drug and combo store chains are still reluctant to jump headlong into the mini-lab game, the recent advances in mini-lab technology have prompted many of them to at least take a second look after initially rejecting the concept in the mid-1980s as too expensive, too hard to staff and too space-consuming.

New machines aimed at the mass market require no plumbing, take up just a few square feet and can be operated by store employees with little special training.

DRUG STORE NEWS®
INSIDE
PHARMACY
PHARMACIST EDITION
Vol. 5, No. 7/June 18, 1990
The News Journal of Retail Pharmacy
Published by Lebhar-Friedman, Inc.

Is there a future for consumer Rx advertising?

By Susan Bail

A few years ago, the expectation was that direct-to-consumer advertising of prescription medications would soon become commonplace. That hasn't happened yet, but the makers of Nicorette, Rogaine, Seldane, Estraderm and some other prescription products are forging ahead in pitching their message to consumers.

Inside Pharmacy
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Around the first of this year, for example, Nicorette, from Marion Merrell Dow Consumer Products, became the first prescription medication advertised by name on network television, on programs such as CBS's "60 Minutes" and "CBS Evening News." Additional TV flights followed, as well as a continuing program of full-page ads in national consumer magazines.

Upjohn debuted commercials mentioning its prescription baldness product, Rogaine, by name on

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Southeastern's first pharmacy class is ready to help relieve metro Miami's Rx'er shortage. **18**

34 *Soon it will be summertime, and the time is right for stocking up on pediculocides.*

Gulf Distribution's annual trade show invites a strong turnout to 'Catch the Wave' in 1990. **42**

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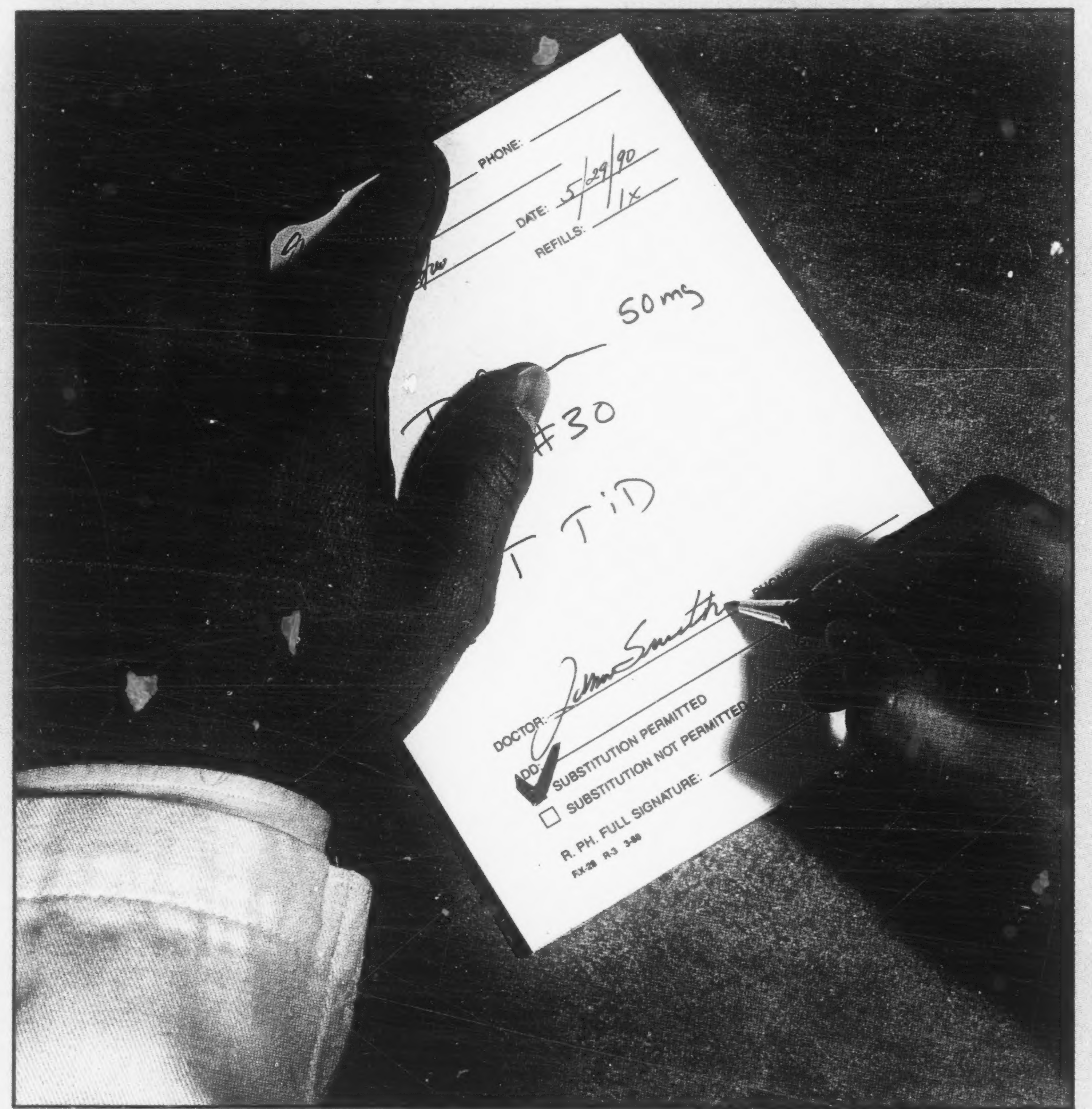

Rx'ers, M.D.s, public sticking with generics

By Harold Cohen, R.Ph.

NEW YORK — Despite heavy flak taken by the generic industry over the past year, generic drugs continue to be a strong contender for prescription business at chain drug stores.

While some generic companies recorded a measurable drop in their sales volume last year in the wake of the FDA scandal, on a nationwide basis, *Drug Store News/Inside Pharmacy's* 1990 Generic Substitution Survey shows the scandal did not appreciably sway many physicians from prescribing, consumers from taking, or pharmacists from dispensing generic drugs.

The nationwide *DrSN/IP* generic survey was answered by directors of pharmacy representing more than 3,000 traditional chain drug stores, supermarket pharmacies and discount store pharma-

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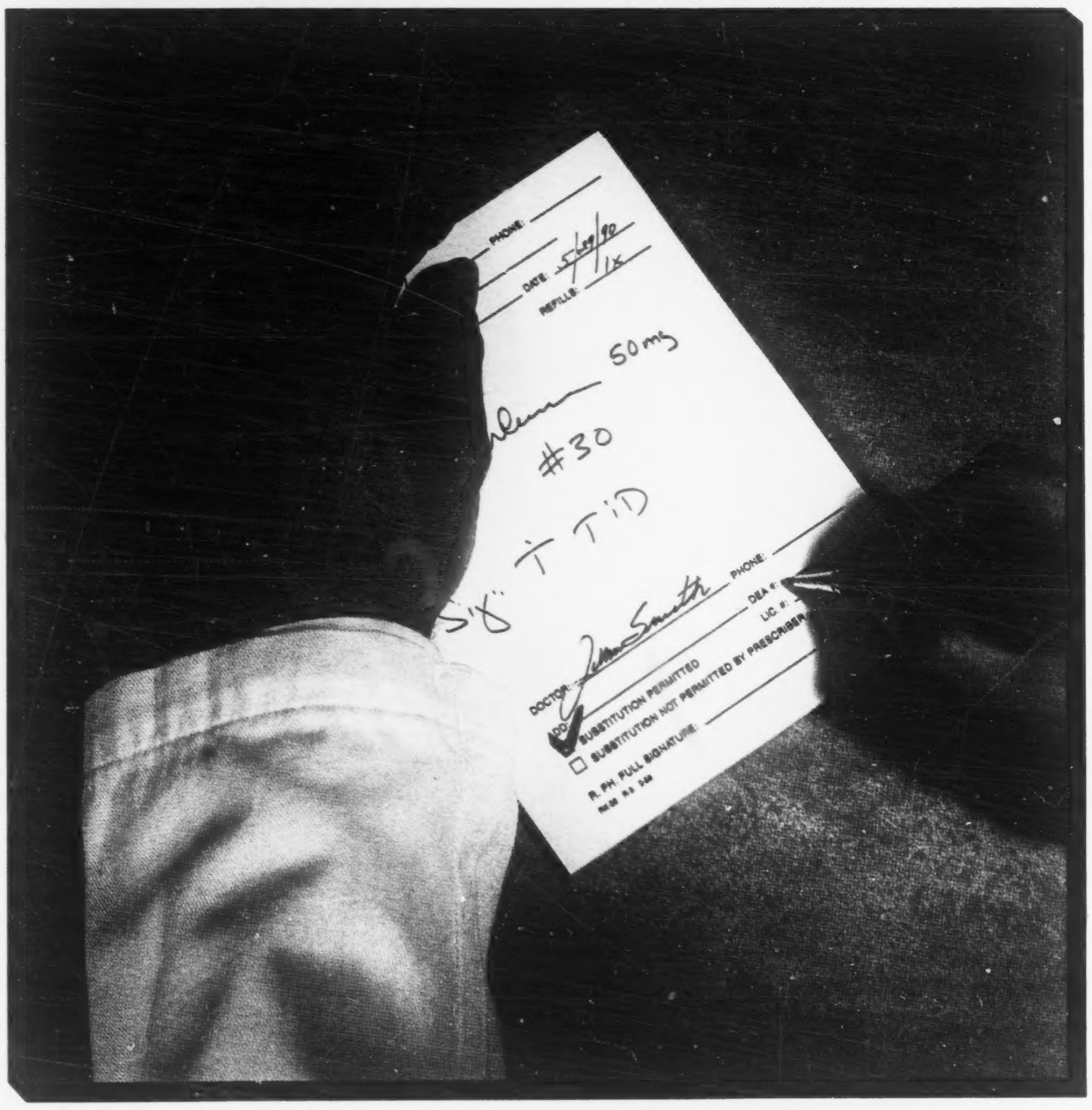
1990
GeneRics
Substitution
Survey

Patients, doctors, pharmacists unswayed by generic controversy



Continued from page IP1

cies. Of those pharmacists surveyed, 61 percent said the number of prescriptions filled generically increased in their stores over the past year. Only 17 percent of the pharmacists reported a decrease and another 22 percent said they remained the same.

Of those pharmacists who said there was an increase in the number of generic prescriptions filled, the average increase was 7.1 percent. Of those who said the number of generic prescriptions filled decreased, the decrease averaged 4.3 percent.

Proliferation of third-party programs that either mandate, or strongly encourage, the substitution of generic drugs as a cost-containment measure, continues to be the engine driving the heavy use of generics by consumers.

But while third-party programs may be successful in steering consumers to generics, they have not appreciably affected physicians' prescription writing habits, according to survey results.

The survey shows that a typical chain pharmacy filled an average of 148 prescriptions a day, 38 percent of them connected to a third-party program.

An opportunity for pharmacists to substitute generic drugs for their branded counterparts presented itself on nearly half (48 percent) of all prescriptions written by physicians. Some of these prescriptions were originally written for the generic, others were written for a brand but the doctor indicated that substitution was acceptable.

While the number of prescriptions written by doctors for a branded drug where substitution was permitted remained the same over last year (29 percent), pharmacists answering the survey reported that early three out of every four (73 rcent) of those prescriptions *were* substituted with a generic.

If there was any indication of the generic industry's problems surfacing at all in doctors' offices, it centered around the percentage of prescriptions written for a branded drug where *no substitution was permitted.*

The survey uncovered a 2-percent increase (20 percent in 1989 to 22 percent in 1990) in the incidence rate for these types of prescriptions. However, there was a 3-percent drop (33 percent in 1989 to 30 percent in 1990) in the incidence rate of prescriptions written for single-source drugs (branded drugs that have no generic equivilant). Prescriptions originally written generically increased a marginal one percentage point over last year.

Some brand name drug products were reported to be substituted more frequently than others. In descending order they included: Tylenol with Codeine #3, Amoxil, Motrin, Lasix, Inderal, and Dyazide.

Reaction to scandal

A Gallup survey done shortly after the FDA scandal revealed that negative consumer reaction to the FDA/generic controversy was slight.

Only 9 percent of the consumers polled who were taking generics asked a pharmacist or doctor to change their medication to a branded product. More than three-quarters said they continued to believe that generic drugs were safe and effective. Much of the same attitude was shared by a majority of store-level pharmacists.

According to *DrSN/IP's* generic survey, only 9 percent of the pharmacy directors surveyed said their pharmacists' reaction to the generic controversy was negative.

"The pharmacists anticipated more negative patient reaction to generic dispensing," said one pharmacy director.

Others said their pharmacists reacted positively to the generic issue or thought that everything was status quo at the retail level when it came to generic substitution.

"They [pharmacists] still believe in generics and have explained the benefits to customers. Our generic line had few or no recalls," commented one director.

"Because we have a full

Continued on page IP16

Why pharmacists substitute/purchase one generic over another

Reason	*Scale**
Therapeutic/bioequivalent	3.80
Professional reputation of generic company	3.80
Cost saving to the customer	3.70
Product availability	3.70
Third party	3.50
Service	3.30
Improved profit	3.00
Store company policy	2.90
Patient request	2.70
Rebate or other incentives	2.20

*Based on a scale of 1 to 5 (1 the lowest, 5 the highest)

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

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Directors provide generic substitution insight

1990
GeneRics
Substitution Survey

NEW YORK — As the substitution of generics in the retail drug marketplace continues to climb, competition among generic companies remains keen, particularly following the recent controversy involving fraudulent FDA generic drug approvals.

Through the *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey, we asked directors of pharmacy (representing more than 3,000 drug, supermarket and discount store pharmacies), to give us an insight to why their pharmacists substitute and what they look for when choosing to carry one generic product over another.

Thinking about the reasons their pharmacists substitute a generic drug over a branded drug, the directors ranked their answers on a scale of one to five, with one being the lowest ranking and five the highest.

On average, the highest ranking was given to cost savings to the customer (ranking of 3.7), followed closely by third party (3.5) and improved profitability (3.0). Other reasons given included: store or company policy (2.9), patient request (2.7) and rebates and other incentives (2.2). At least one director in New York said that state law required his chain to substitute while another pharmacist suggested that substituting “enhanced the pharmacists' image as a concerned health care consultant.”

Highest ranking was given to cost savings to the customer, followed closely by third party. . .

Using the same ranking

Continued on page IP14

Top five branded drugs most often substituted by pharmacists

(In descending order)

1. **Tylenol w/ Codeine #3**
2. **Amoxil**
3. **Motrin**
4. **Lasix**
5. **Inderal**

Source: *DrSN/IP* 1990 Generic Subsitution Survey

The number of generic prescriptions filled have. . .

(Percentage of pharmacists responding)

Increased	61%
Decreased	17
Remained the same	22

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

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Rx directors reveal insight as to generic substitution rationale

Continued from page IP12

system, the pharmacy directors were asked why they thought their pharmacists would substitute one generic drug over another. The results this time were much closer.

There was a tie for the first place answer: therapeutic/bioequivalent and professional reputation of the generic company averaged rankings of 3.8. Other reasons include: product availability (3.7) and service (3.3). Others suggested such reasons as product availability in the chain's warehouse, net cost of the product, whether or not the product was stocked with the drug wholesaler, company contracts with generic companies, and a variety of cost factors.

Greatest influence

When asked to rank their feelings on what the greatest influences were on the use of generics in their stores, there was no question that third-party was the major reason (ranked at 4.32).

Other major reasons given included: state substitution formularies (3.72), customer requests (3.12) and M.D. prescribing (2.6). The directors suggested other lesser reasons for dispensing generics as well. These included: internal incentives, company policy, price, and educational programs developed by the chain.

The directors were somewhat divided on the question as to whether any group had tried to influence them not to substitute.

Of those that said they had been influenced not to substitute, all said branded manufacturers were the culprits. Another 43 percent said the physician exerted pressure on them not to use generics. Only 7 percent pointed to association pressures.

Acceptable generics

The majority of pharmacy directors (88 percent) indicated that finding acceptable generics following the recent controversy has either been "not too difficult" or "not difficult at all." Only 12 percent reported finding acceptable generics "somewhat difficult." None of the pharmacists answering the survey reported it "extremely difficult" finding acceptable generics.

1990
GeneRics
Substitution Survey

How pharmacists promote generic substitution

Method	% Responding
In-store signs	96%
Pharmacist's consultation	87
Newspapers	78
In-store brochures	70
Television	35
Radio	30
On prescription bags	22
Magazines	4

Percentages add up to greater than 100% due to multiple responses

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

Those who have tried to influence pharmacists against substituting generics

Branded manufacturer	100%
Physician	43
Association	7

Percentages add up to greater than 100% due to multiple responses

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

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Generic substitution strong: survey

Continued from page IP12

quality line [of generics] in place, our pharmacists did not have to switch or apologize for anything. They became the 'source' of credible information about generics for our patients and others, including the local media," said another pharmacy director.

"They [pharmacists] have mixed emotions. Some lost faith in the system of control at the FDA. Some still believe in the product dispensed," was a comment from one director who said that his pharmacists were basically "neutral" on the issue.

And still another commented that his chain's customer support over the controversy followed the "bad apple theory": "When [customers were] questioned on the controversy, efficacy and safety were not in question."

Consultation factor

Much of consumers' positive attitude toward generics can be directly credited to the pharmacist-patient relationship developed at store level.

How MDs write prescriptions

	Now	1989
Generically	19%	18%
Brand only/no generic substitution permitted	22	20
Brand/generic substitution permitted	29	29
Single source drug only/no generic available	30	33

Source: *Drug Store News/Inside Pharmacy* 1990 Generic Substitution Survey

The *DrSN/IP* generic survey showed that 92 percent of the directors answering the survey said they not only encourage their pharmacists to substitute whenever possible, but promote the substitution process directly to customers as well.

All of the directors said that whether or not a generic substitution is suggested at the time a prescription is filled, pharmacists are encouraged to consult with those consumers taking generic drugs. They said, on average, the pharmacists spend nearly 10 percent of their working day doing this type of consultation.

> *'When [customers were] questioned on the controversy, efficacy and safety were not in question.'*

The survey showed that 9 percent of those directors who encourage their pharmacists to substitute do so with a monetary incentive. While the respondents refused to assign a dollar value to the incentive, they said it was tied to an bonus program.

The pharmacy directors said they use a variety of ways to promote generics directly to the public.

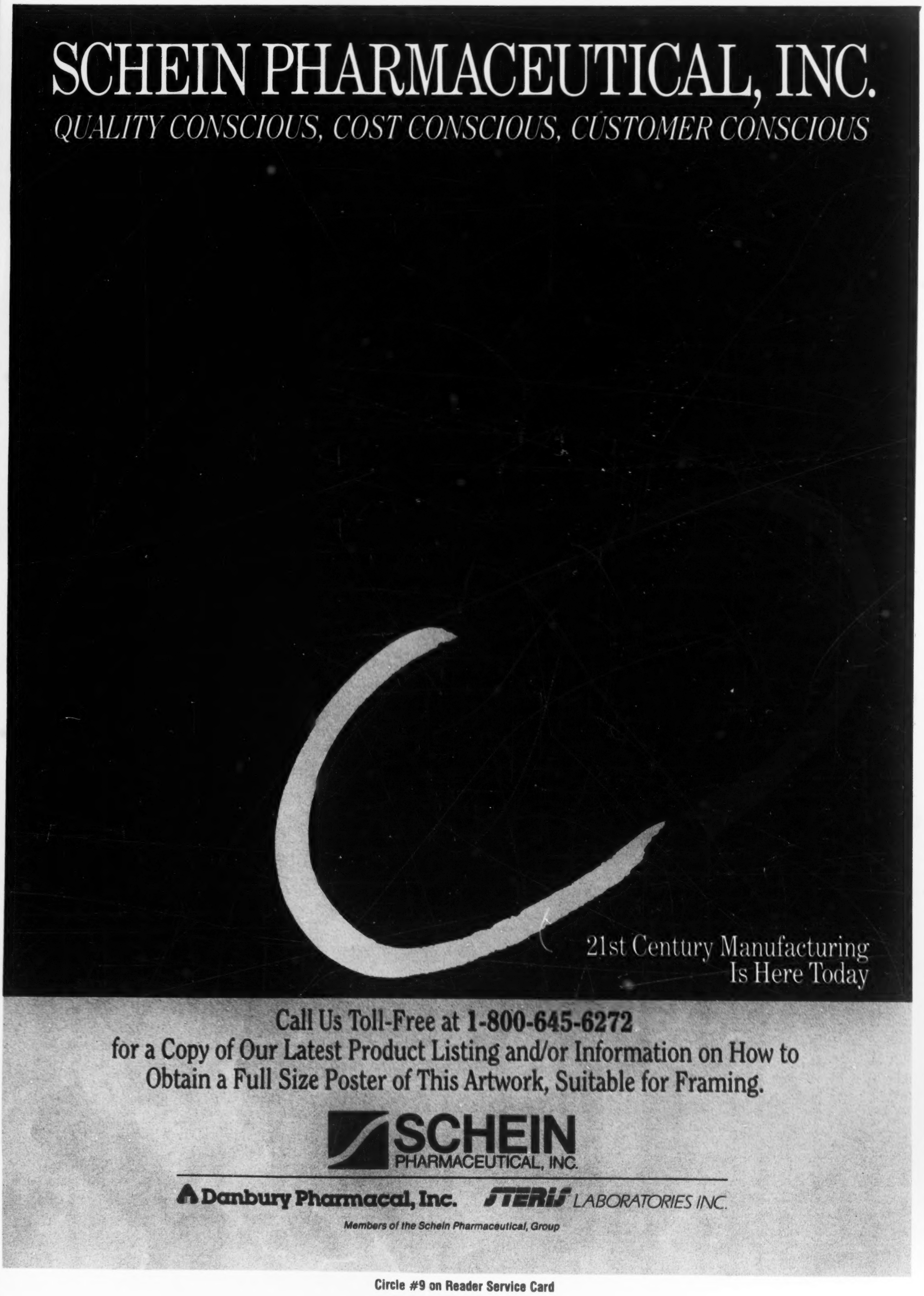
The most popular method was the use of in-store signage followed by pharmacists' recommendations. Other areas of promotion include (in descending order): newspapers, in-store brochures, television, radio, prescription bags and magazines.

Personal opinion

When asked if they would personally take a generic over a branded drug, 84 percent of the pharmacy directors answering the survey said "Yes." Another 16 percent said "Sometimes." None said they would *not* take a generic over a branded drug.

The argument long used by branded drug companies is that loss of business to generics has greatly reduced the needed capital to carry on necessary research and development of new drugs.

When the directors were asked if they thought that this was so, 96 percent said "No." Only 4 percent agreed with the branded drug companies' philosphy.



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FINANCIAL

Efficient new DCs spark Albertson's first $2B qtr.

BOISE, Idaho — Albertson's has reported its first $2 billion sales quarter, a figure largely attributed to the efficiencies of the company's new distribution centers.

Mechanized DCs in Portland, Ore., and Fort Worth, Texas, as well as a satellite DC in Sacramento, Calif., have doubled the company's distribution capacity, chairman and ceo Warren E. McCain told stockholders at the recent annual meeting.

Two combos were opened during the quarter, pushing the company's pharmacy units to around the 230 mark. Major remodels were also completed on eight stores. "Major remodels are those which reach $1.5 million [in cost]," Gary Michael, vice chairman and cfo, told *Drug Store News*, noting that stores get major remodels every 10 years.

The company's "evergreen plan," a perpetual five-year plan, calls for capital expenditures of $1.9 billion, largely from funds generated internally. Over this period, 230 stores are planned, with an emphasis on Texas, Southern California and Arizona markets, as well as rebuilding in the state of Washington.

Sales increased 10.8 percent in the first quarter to $2.01 billion, compared with $1.81 billion in the comparable year-ago period. Earnings rose 15.4 percent to $51.2 million from $44.4 million in the same 1989 period.

First-quarter revenues, earnings climb for Fay's

LIVERPOOL, N.Y. — Fay's reported first-quarter earnings, before an extraordinary charge, of $1.5 million, versus $1.4 million in the year-ago period, on revenues of $153 million, a 16.8-percent gain from the period last year.

During the quarter, ended April 28, Fay's purchased $12 million face value of its 13¾ percent subordinated debentures due 2005, resulting in an extraordinary charge of $574,000. Net earnings after the charge were $902,000.

Wellby parent's 1st-qtr. sales up, earnings down

SCARBOROUGH, Maine — Hannaford Bros., parent of Wellby Drug, posted a 13.2-percent sales gain, to $393.9 million in the first quarter ended March 31, the company announced.

First quarter earnings fell 6 percent, however, to $9.8 million. The net earnings were 14.5-percent better than the previous year's quarter, after adjusting for an inventory accounting change that had added $1.8 million to the comparable period's earnings, the company said.

Hannaford has been emphasizing stores that pair drug and food components both in its combos and in its warehouse Sun Foods store. Its largest store so far, an 84,000-square-foot Sun Foods (which will be the first Sun Foods with a pharmacy), will open late this year in Utica, N.Y., furthering Hannaford's drive into the state. This will be Hannaford's eighth store in New York.

Moore's net inches up on 1st-qtr. record sales

NEW BRITAIN, Conn. — Moore Medical posted net income of $168,000 for the first quarter, compared with a $308,000 loss in the 1989 quarter resulting from an unusual charge of $1.5 million for a litigation settlement.

The wholesaler reported record sales of $76.5 million for the quarter, an 18-percent gain over the $64.9 million recorded for the prior-year period.

Record 1st-qtr. results at Owens & Minor

RICHMOND, Va. — Owens & Minor reported earnings of $1.5 million for the first quarter ended March 31, a 70.6-percent increase, on record sales of $292.6 million, a 49.4-percent hike.

First-quarter results for the previous year's quarter included a $1.1 million pre-tax loss for devaluation of foreign latex examination glove inventory.

A number of major wholesalers had to take similar losses last year after stocking up on gloves in the face of the mounting AIDS crisis.

MARKET DIARY:

Largest Dollar Gainer	Wal-Mart	$ 5.25
Largest Dollar Loser	Big B	$ – 1.75
Largest Percentage Gainer	Leroy Pharm.	38.46%
Largest Percentage Loser	Big B	– 15.56%

Advances	39
Declines	11
Unchanged	6
New highs	14
New lows	1

	Close 5/25/90	Close 6/6/90	Net Change	Percent Change
Dow Jones Industrial Average	2820.92	2925.00	104.08	3.69
Standard & Poor's 500-Stock Index	354.58	366.64	12.06	3.40
N.Y.S.E. Composite	193.71	199.93	6.22	3.21
Value Line Index	243.31	250.43	7.12	2.93

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 5/25/90	Closing Price 6/6/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.75	19.25	– 0.50	– 2.53	17	0.16	0.83	24.75	14.75
OTC	Big B (L)	BIGB	11.25	9.50	– 1.75	– 15.56	38	0.16	1.68	15.25	9.25
OTC	Drug Emporium	DEMP	7.00	8.13	1.13	16.07	13	0.10	1.23	16.00	6.25
NYS	Fay's Inc.	FAY	8.88	8.88	0.00	0.00	13	0.20	2.25	15.00	7.75
ASE	Genovese Drug	GDX.A	7.38	7.75	0.38	5.08	18	0.24	3.10	11.75	7.25
OTC	Leroy Pharmacies (H)	LERY	4.88	6.75	1.88	38.46	– 225	0.00	0.00	6.75	2.88
NYS	Longs Drug Stores	LDG	40.00	42.00	2.00	5.00	14	1.04	2.48	48.50	36.75
OTC	Medicine Shoppe	MSII	22.00	21.75	– 0.25	– 1.14	22	0.16	0.74	26.38	17.50
NYS	Perry Drug	PDS	8.00	7.38	– 0.63	– 7.81	13	0.00	0.00	12.88	7.00
NYS	Rite Aid Corp.	RAD	33.50	35.13	1.63	4.85	17	0.88	2.51	41.13	29.50
NYS	Walgreen Co.	WAG	44.38	45.75	1.38	3.10	17	0.80	1.75	50.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	26.50	28.25	1.75	6.60	16	0.40	1.42	28.63	20.50
OTC	Bindley Western Ind.	BIND	11.63	11.63	0.00	0.00	19	0.00	0.00	12.75	8.25
OTC	Cardinal Distribution (H)	CDIC	25.75	26.25	0.50	1.94	20	0.08	0.30	26.75	18.25
OTC	Durr-Fillauer	DUFM	21.75	21.63	– 0.13	– 0.57	14	0.28	1.29	25.88	18.50
ASE	Ketchum	KCH	2.00	2.25	0.25	12.50	– 1	0.00	0.00	7.13	1.63
NYS	McKesson Corp.	MCK	33.75	35.13	1.38	4.07	16	1.60	4.56	39.75	31.75
ASE	Moore Medical	MMD	6.25	6.25	0.00	0.00	– 10	0.00	0.00	15.13	5.63
NYS	Owens & Minor	OMI	12.75	13.00	0.25	1.96	35	0.24	1.85	13.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs (s)	ABT	36.56	37.88	1.31	3.59	19	0.84	2.22	38.38	27.63
NYS	American Home Products	AHP	51.63	53.50	1.88	3.63	14	2.12	3.96	55.13	45.88
NYS	Baxter International	BAX	22.88	23.38	0.50	2.19	– 54	0.64	2.74	26.25	20.50
OTC	Block Drugs Co.	BLOCA	34.63	35.25	0.63	1.81	14	0.68	1.93	38.00	33.25
ASE	Bolar Pharmaceutical	BLR	6.88	6.75	– 0.13	– 1.82	18	0.04	0.59	30.50	3.50
NYS	Bristol-Myers Squibb (H)	BMY	60.75	62.13	1.38	2.26	40	2.12	3.41	62.50	46.38
NYS	Carter-Wallace	CAR	53.25	53.75	0.50	0.94	16	0.80	1.49	60.50	45.25
ASE	Columbia Labs	COB	11.25	10.88	– 0.38	– 3.33	– 11	0.00	0.00	19.63	7.75
ASE	Forest Labs (H)	FRX	44.00	45.00	1.00	2.27	31	0.00	0.00	47.38	30.50
NYS	ICN Pharmaceutical	ICN	2.50	2.75	0.25	10.00	0	0.00	0.00	6.88	2.50
ASE	Lee Pharmaceutical	LPH	1.50	1.63	0.13	8.33	– 7	0.00	0.00	4.25	1.50
ASE	Leiner P. Nutrition	PLI	11.50	11.75	0.25	2.17	13	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co. (H)	LLY	75.50	77.75	2.25	2.98	23	1.64	2.11	78.63	53.00
NYS	Marion Labs	MKC	23.75	24.50	0.75	3.16	84	0.60	2.45	36.63	21.00
NYS	Merck Co. (H)	MRK	84.00	83.75	– 0.25	– 0.30	21	1.80	2.15	85.38	66.00
NYS	Mylan Labs	MYL	22.88	23.50	0.63	2.73	33	0.20	0.85	25.38	9.38
NYS	Par Pharmaceutical	PRX	5.63	6.00	0.38	6.67	– 9	0.00	0.00	10.38	3.88
NYS	Pfizer Inc.	PFE	62.50	64.50	2.00	3.20	16	2.40	3.72	75.75	54.50
NYS	Rorer Group (H)	ROR	67.88	70.63	2.75	4.05	33	0.84	1.19	70.63	36.13
NYS	Schering Plough (s)	SGP	44.69	47.25	2.56	5.73	21	1.12	2.37	48.00	31.75
NYS	Syntex Corp. (H)	SYN	56.75	58.50	1.75	3.08	21	1.60	2.74	58.88	40.00
OTC	Taro-Vit Industries	TAROF	0.88	0.88	0.00	0.00	– 13	0.00	0.00	1.88	0.88
NYS	Upjohn Co. (H)	UPJ	39.00	43.25	4.25	10.90	25	1.00	2.31	43.25	29.38
NYS	Warner-Lambert (H)	WLA	59.88	61.25	1.38	2.30	19	1.52	2.48	62.25	43.25
OTC	Zenith Labs	ZENL	4.25	4.25	0.00	0.00	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's (H)	ABS	64.00	67.00	3.00	4.69	22	0.96	1.43	68.25	46.25
NYS	American Stores	ASC	67.75	70.25	2.50	3.69	19	1.12	1.59	72.50	51.38
NYS	Giant Food	GFS.A	28.25	27.13	– 1.13	– 3.98	15	0.60	2.21	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	56.88	56.88	0.00	0.00	0	0.00	0.00	65.38	48.25
NYS	K mart	KM	34.50	36.50	2.00	5.80	22	1.72	4.71	44.88	32.13
NYS	Kroger	KR	14.25	15.25	1.00	7.02	– 169	0.00	0.00	19.75	11.75
NYS	Melville Corp.	MES	50.00	50.63	0.63	1.25	15	1.40	2.77	53.63	41.13
OTC	Fred Meyer	MEYR	15.25	16.25	1.00	6.56	– 58	0.00	0.00	22.00	13.00
NYS	Penney, JC	JCP	64.75	67.25	2.50	3.86	10	2.64	3.93	75.63	54.88
NYS	Safeway	SWY	12.63	12.38	– 0.25	– 1.98	248	0.00	0.00	12.88	11.63
NYS	Smith's Food & Drug (H)	SFD	33.13	33.00	– 0.13	– 0.38	28	0.28	0.85	33.75	20.50
NYS	Wal-Mart (H)	WMT	55.13	60.38	5.25	9.52	30	0.28	0.46	61.00	37.00

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado

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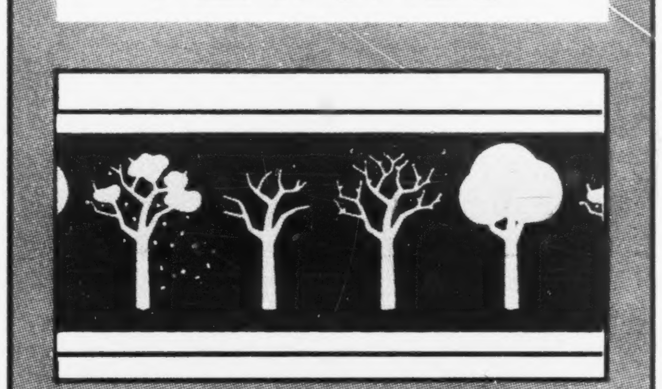
LATE NEWS

- **TWINSBURG, Ohio — Revco D.S. has unveiled a new store concept, called Revco Limited, for 200 of its smallest units. "Limited" stores will carry core departments with a leaner mix of seasonals and promotionals.**
- **SANTA ANA, Calif. — Phar-Mor has signed its first California store lease here, signaling the start of a major assault. Located on S. Harbor Blvd., the 64,938-square-foot store is scheduled to open early next year.**
- **INDIANAPOLIS — Reliable Drug Stores has completed the acquisition of 221 Midwest drug stores from Revco D.S. Simultaneously, Reliable completed the sale to Perry Drug Stores of 16 Revcos in metro Detroit.**

TOP OF WEEK FEATURES



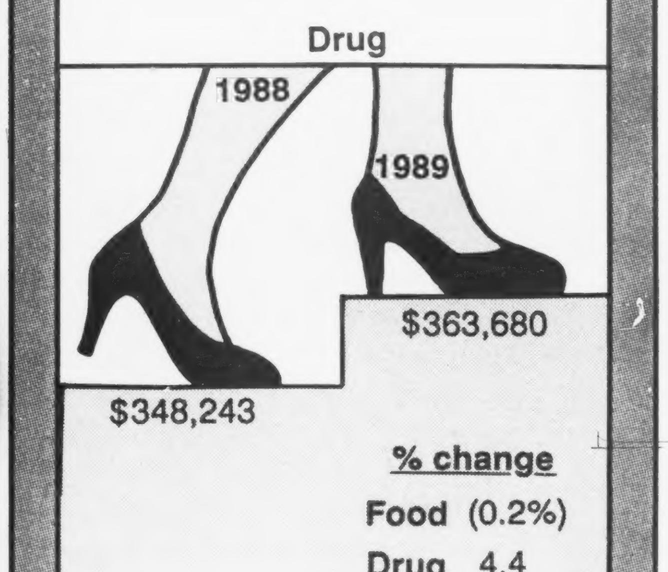
Greenscape bows

Al Heller's inaugural column on environmental issues notes it isn't easy being green.

— Page 11.

Hosiery sales up in drug outlets

(In thousands of dollars)



Source: Nielsen Marketing Research

Drug chains 'run' with hosiery

By upgrading selections and displays, drug chains get a leg up on department stores with hosiery.

— Page 12.

CVS parent to buy Peoples

The purchase of Peoples by CVS caught many by surprise, but the deal makes sense for both sides. It significantly extends CVS's regional presence, where it will build on notable operational strengths. For Imasco, which helped Peoples to foster a turnaround, the cash infusion gives a shot to the bottom line by reducing debt.

By Susan Ball

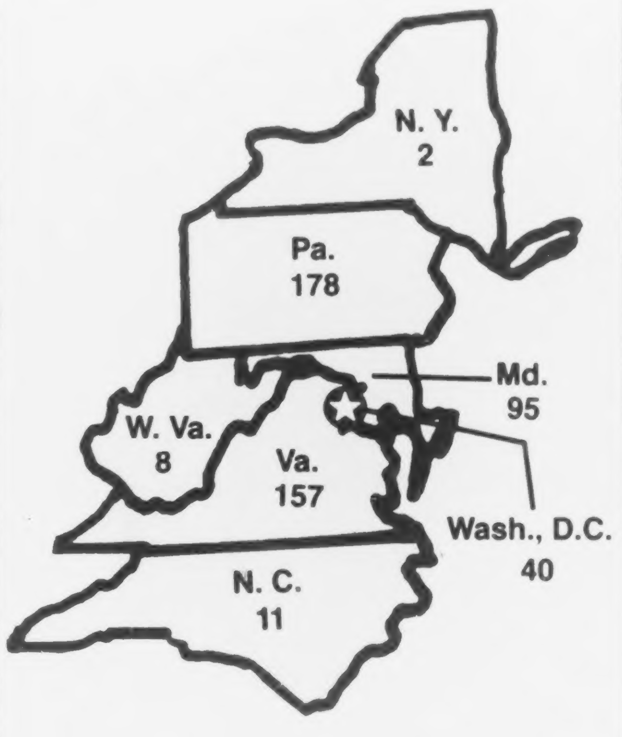
RYE, N.Y. — In the biggest acquisition Melville Corp. has undertaken, CVS's parent company has agreed in principle to buy Peoples Drug Stores from Imasco Ltd. of Canada for approximately $330 million (U.S.) in cash.

The CVS-Peoples combination will increase Melville's drug store empire by more than 50 percent, extending it down the east coast into Virginia, and could make it one of the industry's top five in annual sales. CVS currently operates 811 stores in 14 states, mainly in the Northeast, and Peoples' 490 stores are in Washington, D.C., Maryland, Virginia, West Virginia, Pennsylvania, North Carolina and New York.

"CVS and Peoples make an ideal geographic and strategic fit," Stanley P. Goldstein, Melville's chairman and ceo, said in Melville's announcement.

Peoples Drug Stores

(Store representation in states)



Note: CVS operates 811 stores in 14 states, which include Calif., Conn., Del., Me., Md., Mass., Mich., N.H., N.J., N.Y., Ohio, Pa., R.I. and Vt.

Source: Peoples Drug Stores. In metropolitan Washington, D.C., which includes parts of Maryland and Virginia, Peoples has 196 stores.

CVS president Harvey Rosenthal told *Drug Store News* that "because the acquisition is so large and metro Washington will be our biggest market, some sort of substantial administrative presence will be maintained there." Peoples operates 196 stores in the Washington metropolitan area. The Peoples name will be retained, Rosenthal said, because of its consumer recognition and acceptance built over 85 years in business.

Citing similarities in emphasis on pharmacy, health care and central distribution, Rosenthal noted, "Peoples has excellent locations, strong shares in key markets and a similar demographic customer profile. There's a great compatability here."

Both chains have locations in malls and strip centers as well as freestanding stores, he said, adding that most of Peoples' leases have significant time left on them, and many have option periods. Rosenthal emphasized that there are no plans to close stores, other than in CVS's normal course of analysis as leases expire: "We plan on operating the stores." Melville will keep Peoples' distribution centers, he added.

Rosenthal pointed out that Peoples has moved closer to CVS's focus in re-

See **Melville,** *page 33*

Revco LBO under Justice Dept. scrutiny

Bankruptcy law specialist subjects case to 'olfactory test'

By James Frederick

NEW YORK — The Justice Department trustee overlooking Revco's bankruptcy case has appointed a law professor to investigate the company's ill-fated 1986 leveraged buyout for signs of fraud. His appointment comes nearly two years after Revco filed for Chapter 11 protection after failing to meet interest payments arising from its LBO.

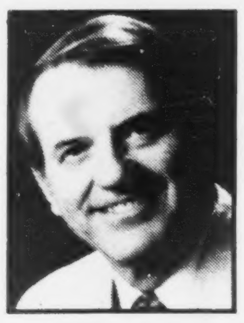
The appointment of bankruptcy expert Barry Zaretsky marks the first time an examiner has been officially named to review a junk bond-financed LBO in Chapter 11. His findings could have major implications for other highly leveraged companies whose buyout was financed by junk.

Zaretsky was named by trustee Conrad Morganstern following approval of the move by U.S. Bankruptcy Court in Akron, Ohio. Essentially, Zaretsky is charged with determining whether or not Revco's LBO relied on fraudulent conveyance in order to raise the $1.2 billion in junk bonds and other debt financing needed to structure the deal.

Indeed, Zaretsky may

See **Revco,** *page 33*

American clears hurdles in quest for higher profits



J. Scott

SALT LAKE CITY — American Stores is close to putting some thorny issues behind it as it focuses on building a more streamlined and profitable operating base, vice chairman and ceo Jonathan Scott told shareholders in mid-June.

Although dogged by lackluster profits in some of its far-flung retail divisions, American racked up roughly $22 billion in sales as a holding company last year, with good sales and earnings momentum in some of its operating divisions. Among top performers were Lucky Stores and American Drug Stores, which continues to show same-store sales gains of more than 5 percent.

American's strategy now is to apply advanced technology, transportation and communications systems to its

Continued on page 15

Marketplace rewards, drains reps and retailers

By Al Heller

DALLAS — Hoarse retailers and reps rode out of town after the four-day NACDS Marketplace here, boots worn and blisters in evidence.

This common ailment was testimony to the brisk business activity and non-stop discussions that filled Infomart and the Loews Anatole.

"I feel like I spoke with everyone," a happy yet weary Barry Berger of Revlon said at the American Airlines terminal, as he prepared to board.

No one appeared to be biting the bullet, as the pace of Market-

Continued on page 26

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SECOND CLASS

NEWS IN BRIEF

Walgreen Rx'ers in Chicago settle strike

DEERFIELD, Ill. — Walgreen Co. pharmacists in the Chicago area ratified an extended, four-year contract and returned to work just a week after going out on strike. At issue was pay raises and working conditions.

More than 600 striking union pharmacists from 223 Chicago-area stores were affected, and were temporarily replaced by Walgreen pharmacists and pharmacy managers from other states on a shorter-hour basis. State regulators investigating union charges that some of the temporary pharmacists were dispensing without an Illinois license found no such violations, the company reported.

Under terms of the settlement, the Rx'ers are guaranteed an 18 percent pay hike worth a total of $6 an hour in added pay by the fourth year of the contract. The raise will bring base pay up 9 percent in the first year, to $49,920.

The contract also provides for more frequent meetings between pharmacists and managers to discuss work-related stress or other problems.

"We're happy it was able to be mediated so quickly," said Walgreen spokesperson Laurie Meyer. "Our pharmacists work hard, and we need them."

Phar-Mor, Osco to enlist satellites

YOUNGSTOWN, Ohio — Phar-Mor has decided to use a satellite network system by Hughes Network Systems, Inc. to link all its stores for data, voice and video communication, Phar-Mor and Hughes announced.

American Stores also will shortly announce that it will use Hughes equipment for a satellite network that links its Osco Drug stores, according to a source at Hughes.

The Hughes Integrated Satellite Business Network, which employs VSAT or very small aperature terminal dishes at each store communicating with a central hub, is the same system Walgreens adopted several years ago.

Phar-Mor said the $6 million project will be completed at year's end when it expects to have 250 stores. Satellite was chosen as a less expensive alternative to terrestrial communications and one which provides the best communications options, Phar-Mor said.

Turley chairs skin cancer dinner

NEW YORK — Stewart Turley, chairman and ceo of the Jack Eckerd Corp., will act as general chairman for the Skin Cancer Foundation's fundraising dinner set for Nov. 15 at the Marriott Marquis Hotel here. The dinner will honor Ron Ziegler, president of the National Association of Chain Drug Stores.

Allbright to Drug Emporium board

COLUMBUS, Ohio — Bruce Allbright, 61, was elected to the board of directors of Drug Emporium, and will serve the remaining two years of an unexpired term of Jane Trahey, who resigned.

Allbright retired in February from Dayton Hudson Corp., where he last served as president and a director. He has had wide experience in top retail management posts. It includes a period as ceo of Dayton Hudson's Target stores, and jobs as president and ceo of the B. Dalton book chain, executive vp and a director at F.W. Woolworth, and chairman and ceo of the Woolworth-Woolco division.

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Genovese curbs store growth and focuses on cost cutting

Aggressive expansion costs and combo competition have caught up with Genovese in the short term. Chairman Leonard Genovese vows that vigorous expense slashing, continued strong pharmacy results, better employee productivity and customer service will quickly steer the chain ahead.

By David Vaczek

MELVILLE, N.Y. — Genovese Drug Stores will de-emphasize new store growth and renovations this year, as it slashes expenses following a period of rapid expansion and dampened profits.

The 91-store chain hasn't yet opened a store in 1990, and will open only two or three by fiscal year next January; that might include the chain's first Bronx site. Genovese has recently sold two stores in Ridgewood and Franklin, N.J. to Thrift Drug, and has closed one Brooklyn store, company officials told shareholders in June.

Productivity check

As Genovese downscales its historic plans of 10 percent annual new store growth, chairman Leonard Genovese called for aggressive pursuit of productivity and customer service. "We are attacking productivity issues viciously," he told stockholders at the annual meeting.

That includes increasing employee productivity per hour and boosting sales per square inch of shelving. Employee productivity has already improved with average sales per man hour at $91, compared with $84 last year, as the number of customers served increased 6 percent, Genovese said.

While its Long Island, New York City, New Jersey, and Connecticut markets have the advantages of being densely populated and fairly affluent, they are also costly to operate. Also, Genovese was stung last year by higher interest costs and depreciation charges on high capital expenditures related to new stores, computers and an upgraded warehouse. Employee medical costs also rose by $1 million in 1990.

The chain's net profit-to-sales ratio has ranged in recent years from 1 percent to 1.5 percent. In fiscal 1990, it stayed under 1 percent, compared with a two percent to three percent industry average. On the bright side, sales growth, led by pharmacy, has been double-digit, and that trend continued in the first quarter ended May 25.

A good trend

"I believe this is an exceptionally good trend we're on," Genovese said, noting that first quarter comp store sales were up 9 percent, with pharmacy sales up 19 percent on a five percent increase in scripts.

Total sales in the first quarter increased 13.4 percent to $128.6 million, with net income of $1.05 million, compared with $1.12 million in last year's comparable quarter. This quarter's net includes a $238,000 gain from the May 25 sale of the two New Jersey stores.

With costs from opening 13 stores in 18 months ended late 1989, the expense-to-sales ratio increased to 26.7 percent from 25.7 percent in the prior year.

Fay's to add Philly, N.J. Paper Cutters

By Susan Ball

LIVERPOOL, N. Y. — Fay's expansion plans include opening up to 15 Paper Cutter stores during the remainder of this year, focusing on the Philadelphia-western New Jersey market and some mid-size cities such as Rochester, N. Y., as it heats up its bid for the home-office customer.

Although Paper Cutter stores, which average about 10,800 square feet, will inevitably come up against such specialty megastores as Staples, said Warren Wolfson, vp, secretary and general counsel of Fay's, its target customer is the home office user, whereas Staples and other megastore chains see small-to-medium business offices as their primary customer base.

Fay's currently operates 18 Paper Cutters, three of which opened during fiscal 1990 and one that opened this fiscal year in Plattsburgh, N. Y.

In addition to its established catalog, Paper Cutter has begun testing delivery service in Syracuse, where it operates three stores and plans to open a fourth this fall.

> *'One of Fay's major accomplishments of the '80s was the startup and expansion of our Wheels and Paper Cutter retailing chains.'*
>
> **-Henry A. Panasci Jr.**

"One of Fay's major accomplishments of the '80s was the startup and expansion of our Wheels and Paper Cutter retailing chains," Fay's chairman Henry A. Panasci Jr. said during the chain's recent annual meeting. With support elements in place, including distribution facilities, systems and staffing, "we are in a position to leverage our investments in Wheels and the Paper Cutter through store growth and increased sales from existing stores," said Panasci.

The chairman also outlined other expansion plans, which include opening six to eight more super drug stores, four Wheels stores and more bantam drug stores before year's end. Already this fiscal year, Fay's Drug Stores have opened in Phillipsburg, Pa., and Hornell, N. Y., and a Wheels unit opened in Syracuse.

Drug store expansion will be concentrated in upstate New York and in Pennsylvania, where Fay's has entered such markets as Harrisburg and Allentown, Wolfson said.

In addition, Fay's opened its first bantam store not acquired from an independent operator in Eden, N. Y., and on June 6, debuted its second

Continued on page 34

Kerr DC has more elbow room

RALEIGH, N. C. — Kerr Drug Stores is moving goods into the new 52,000-square-foot addition to its distribution center-offices facility here and expects to have it up and running by mid-July, said John Kerr, president. With the addition, the DC totals 150,000 square feet.

Kerr said the addition features a new receiving dock and a more efficient picking, stocking and restocking system. "The system is set up for additional technological advances," he added, such as in the bar code area.

The chain isn't increasing the percentage of merchandise handled through its warehouse, which stands at about 60 percent, but is moving merchandise from another, rented warehouse into the new wing, Kerr said.

The chain also plans to open store No. 95, in its typical 9,600-square-foot size, in mid-July in a Charlotte, N. C., strip center, which will bring its presence in Charlotte to 11 stores.

Correction

In an article on the sale of two Bud's deep discount stores in the June 11 issue, *Drug Store News* erroneously reported that Melville Corp. was among the retail companies that had backed away from the deep discount field. Freddy's, the deep discount chain, continues to be part of the Melville retail empire.

CVS & Peoples: A solid pairing

After a year of relatively slow takeover activity, the pace has picked up smartly. And that's putting it mildly. The selloff of most of Revco's more than 700-plus available stores to a variety of buyers was big news, but not all that surprising. The sale of Peoples was.

IN THE MARKET
BRUCE BUCKLEY

Revco's trip to the "retail spa" to slim down was a logical move that's been made by other overweight and out-of-shape retailers. Peoples, on the other hand, seemed to have already emerged successfully from its total remake. Profits have been steadily rising. Six-month performance figures promise to be very strong.

So why did Imasco, the Canadian company that agonized through Peoples' lowest periods, decide to sell just as the repositioning efforts undertaken by David Bloom and David Eisenberg really began to click?

The answer involves a combination of factors. First, as successful as Peoples might become, its scale did not seem to Imasco to promise the long-term return that the Canadian holding company seeks in its properties. Second, the $390 million (Canadian) sale price will help reduce debt and interest expense and thus provide an immediate shot to Imasco's bottom line.

Third, like a father looking for a prospective husband for his daughter, Imasco was committed to finding a strong suitor for Peoples. It could not have chosen a better one than CVS. Geographically, the match seems to have been made in heaven. CVS is also widely acknowledged as one of the best operators in the business. Like Peoples, it has a strong focus on pharmacy and core front-end categories. Peoples can only benefit from CVS's operational strengths. As David Bloom put it: "It's a case of a successful company joining an even more successful company." As important as Peoples' locational strengths are, Bloom felt the chain's "people strengths" — the management team headed by Eisenberg—was even more important.

Harvey Rosenthal, CVS' ceo, was characteristically cautious in answering questions about Peoples' future. His caution reflected, he said, his company's "conservative, analytical and very thoughtful" approach to decision-making. Rosenthal said he had made no prejudgments. He said CVS needed time to get to know Peoples and its management.

However, he did say that CVS intended to retain the Peoples name because the chain's more than 80 years in the D.C. market was reflected in "high consumer awareness and favorable reaction." And he said the acquisition would provide more opportunities for future growth along the eastern seaboard as far south as Virginia. "As you know, CVS likes to grow," he said.

* * *

By the time you have received this issue, the first edition of *Drug Store News JOBFAX* will have been sent to hundreds of retail and manufacturer executives via facsimile transmission. The purpose of this item is to remind people seeking executive headquarters jobs that the free and confidential service will continue, with faxes sent out every two weeks. To place your blind want ad, send a short description of your qualifications (no more than 75 words) to *Drug Store News*, Confidential Box 100, 425 Park Ave., New York, NY 10022. We'll print it and supply a blind box number. Executives interested in knowing more about your qualifications will be able to write to the box number. We'll send their letters unopened to the job candidates.

So keep the entries coming.

At last, Rx cost containment on right track

After years of bickering, back-biting and skirmishing, Congressional critics of the pharmaceutical industry finally appear to have the nation's brand-name drug manufacturers in a hammerlock.

WASHINGTON PERSPECTIVE
KEN RANKIN

Finally, Congress has stumbled across a way to focus Medicaid drug program cost-containment efforts where they belong: on the manufacturers who have been raising prices to pharmacists, consumers and taxpayers at triple the nation's general inflation rate.

This new approach marks a radical departure from the way Medicaid has dealt with cost pressures in the past. For the last 25 years, when state or Federal drug program officials have felt the budget squeeze they have tightened the noose on pharmacy reimbursement.

If enacted, Sen. David Pryor's (D-Ark.) "Pharmaceutical Access and Prudent Purchasing Act" (PAPPA) would inject a healthy dose of competition into the Medicaid drug market by requiring brand-name pharmaceutical manufacturers to bid for Medicaid business.

Specifically, it would encourage state Medicaid agencies to begin price negotiations with pharmaceutical manufacturers by the beginning of 1993. Among other things, state officials would have the flexibility to establish restrictive formularies and to demand that manufacturers charge Medicaid no more than the lowest price paid by hospitals or other institutions.

State drug programs would realize their savings via periodic rebates from manufacturers, reflecting the difference between the supplier's normal selling price and the negotiated price.

To safeguard the medication rights of the indigent, PAPPA would allow prescribers to demand that any "medically necessary" drug be dispensed to a patient, even if the prescribed product is not on the state's formulary.

To protect pharmacists from unjustified reimbursement cuts by state Medicaid programs, the legislation would require that participating pharmacies be paid a "market-based price" (capped at the 90th percentile of all providers).

Drug store industry groups regard such reimbursement reforms to be a major step forward for patients as well as for pharmacists. Indeed, NACDS contends that the reimbursement scheme envisioned by PAPPA would enable "today's highly trained pharmacists to spend time with customers, so they can use their skills to identify costly and life-threatening adverse drug reactions, and to seek the advice of a physician familiar with the patient's total care needs."

Not surprisingly, Sen. Pryor's bill is less popular across town at the Pharmaceutical Manufacturers Association. PMA, which represents the brand name drug industry, has pulled out all the stops in an effort to scuttle PAPPA. Part of PMA's anti-PAPPA campaign includes an industry-financed "study" of the legislation suggesting that Pryor's scheme to trim Medicaid drug spending could cost more than it saves.

Among other things, researchers for PMA contend that provisions of the legislation relaxing reimbursement restraints on pharmacists may at least partially offset any savings resulting from lower priced drugs.

To my way of thinking, that's hardly a flaw in the legislation! For decades pharmacists have been on the short end of the Medicaid reimbursement stick, while manufacturers have been free to raise product prices at will. It seems altogether fitting for PAPPA to earmark part of the cost savings from manufacturer price competition for improved pharmacy reimbursement.

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SPECIAL SAMI REPORT

Drug store movement of PL H&BAs highly seasonal

Seasonality or growth trends of private label health and beauty aids in drug stores

(Unit basis for year ending March 23, 1990)

52 Week Private Label Share of Units	Category	21-Apr 1989	19-May 1989	16-Jun 1989	14-Jul 1989	11-Aug 1989	8-Sep 1989	6-Oct 1989	3-Nov 1989	1-Dec 1989	29-Dec 1989	26-Jan 1990	23-Feb 1990	23-Mar 1990
82.8%	Misc. Proprietary Remedies	104	94	102	113	112	104	105	101	85	84	92	106	99
47.7	Clinical Thermometers	79	72	61	59	73	83	134	127	102	110	163	140	103
44.9	Natural Vitamins, Minerals, SPR.	97	118	97	88	107	102	110	100	89	98	109	97	89
41.1	First Aid Antiseptics	101	99	107	127	123	96	99	85	83	90	101	100	90
38.3	Synthetic Vitamins	91	107	88	82	106	99	112	91	88	105	123	109	100
31.8	First Aid Products	112	109	93	102	97	102	104	83	79	102	104	112	102
26.6	Baby Powders	97	116	102	110	113	118	91	84	82	71	97	107	103
26.0	Baby Oils, Cream & Lotions	111	154	104	104	87	96	81	77	78	93	110	101	100
23.2	Laxatives & Stool Softeners	94	97	99	94	93	101	106	103	95	100	108	109	102
22.7	Internal Analgesics	105	102	96	87	89	108	97	99	91	114	115	104	94
20.8	Sleeping Aids	103	114	85	87	100	99	100	101	95	92	101	106	117
20.6	Toothbrushes	77	78	69	85	121	97	135	74	138	96	93	130	106
20.2	Cold Remedies	103	95	81	74	70	86	123	120	109	120	122	98	97
19.2	Dental Aids	84	99	86	93	120	110	96	88	82	107	113	111	111
17.8	Nasal Spray-Drop-Inhaler	89	88	80	77	143	80	94	101	92	169	113	90	84
17.2	Denture Cleaners	67	107	131	120	75	112	115	84	75	88	120	105	100
16.5	Suntan Lotion-Suntan Oil	247	183	171	133	60	24	14	13	11	9	23	153	258
16.4	Mouthwash	95	100	83	124	117	117	106	75	72	81	130	118	83
16.0	Cough Remedies	103	95	81	74	70	86	123	120	109	120	122	98	97
15.3	Feminine Douches/Washes/Powders	107	100	88	83	104	131	123	81	84	88	101	126	84
14.6	Personal Lubricants	89	122	69	91	75	62	111	107	149	111	111	109	98
11.7	Razor Blades	91	103	98	98	96	98	110	95	90	117	107	92	106

Source: Arbitron/SAMI

PRODUCT TRACKING

ALAN MILLER

Private label products in 57 health and beauty aid categories in drug stores accounted for 354.5 million units, or 13.5 percent of total unit volume, in the year ended March 23, 1990. On a dollar basis, price brands accounted for $785 million, or 9.3 percent of sales in the H&BA categories tracked by Arbitron/SAMI.

Their share in drug stores is just about double the levels in food stores. Private label penetration varies widely by category—from a high of 82.8 percent of unit volume in miscellaneous proprietary remedies, to home testing kits and hair care, where there is little activity.

Private labels account for more than four out of 10 units in clinical thermometers, antiseptics and natural vitamins, minerals and supplements.

Private label unit sales do not always peak and wane with categories as a whole because important new product introductions can siphon away consumer interest in store brands. In razor blades, for example, in the four weeks ended Dec. 29, 1989, private labels held a 14.5-percent unit share. However, during the 4 weeks ending Jan. 26, 1990, when Gillette's new Sensor razors and blades made their debut, the share for private labels fell to 10.9 percent.

In baby powders, private labels account for 26.6 percent of annual unit volume in drug stores. The highest four-week period ended Sept. 8, 1989, at 118; the low, 71, occurred during the final period of the year. The pattern for the other important baby needs category—baby oils, creams and lotions—was rather different. During the May 19 period, the index for private labels was 154, by far the highest during the 52-week span, and the low was 77 during the period ended Nov. 3.

In first aid, which includes bandages, cotton swabs and adhesive tape, there are no sharp or sustained peaks for private labels.

As might be expected, the private label movement peaks in cold and cough remedies follow the traditional cold season patterns. December and January are the best months for these items, which are weaker in the summer. One aberration noted in 1989 was sudden peak of 143 for nasal sprays, drops and inhalers during the four weeks ended Aug. 11, 1989. This was a period in which the levels for other cold remedies included 70 for cold remedies, 38 for chest rubs and 67 for cough remedies.

The private label movement indices in the synthetic and natural vitamins categories generally follow similar patterns without any spectacular peaks.

It should be noted that the tables show what is called seasonality or growth trends. In some instances, sudden changes in seasonal trending are caused either by important new product activities, strong promotional surges or unusual weather conditions during the year.

Arbitron/SAMI has just published comprehensive studies of private label shares in both food and drug stores. Anyone interested in securing these reports is invited to contact Celeste Monte, director of corporate development, Arbitron/SAMI, 41 E. 42nd St., Suite 1015, New York, N.Y. 10017.

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TRENDS

Better selection, displays help chains run with hosiery

By upgrading selections and displays, drug stores clearly now have a leg up on department stores in hosiery sales. Mainstream, conservative styles and color variety are attracting today's practical and fashion-spun hosiery consumers, retailers and manufacturers told *Drug Store News*.

Women in the workplace who value their shopping convenience are a big part of the shift towards drug stores. "Pantyhose are part of the uniform," said Bill Murray, director of sales and marketing for Rice Hosiery. "Most women now work and wear pantyhose that are more of a mainstream style for the workplace."

Women are also viewing hosiery purchases differently. "Overall, women are looking at hosiery as a fashion accessory to help coordinate their outfits," said Mary Gilbert, a L'eggs spokesperson. "That's a very fashion-conscious consumer out there, and it's relatively inexpensive and appropriate to update the wardrobe with different colors and textures."

Prices tend to be stable, ranging from $1.99 for private labels to $4.79 for higher-grade lines, yet drug store consumers no longer hesitate to buy more expensive hosiery. Drug stores have an opportunity to trade-up consumers in this category of frequent replenishment.

"Drug stores today are catering to the higher-priced range of hosiery," said a buyer at a Northeastern chain. "Women are interested in quality, and so they will buy them even if they're more expensive."

Colors attract sales

Colors are hot in the current market, as retailers scurry to promote their summer color lines. "Color really does well, especially during the spring, early summer and fall times," Kathy Johannes, a buyer for Kerr Drug Stores, told *Drug Store News*. "We really do a lot of promotions and advertising during this time. We're starting to really get aggressive with marketing and advertising (by adding hosiery in more circulars) because chains such as Drug Emporium and Phar-Mor are dropping prices and we're trying to meet the competition."

Color trends are changing, however, said Jean Anne Hamm of Town & Country Drug Stores in Texas. "Customers are looking for something other than the nude or suntan lines," she said. Toni Markham, of Crown Drugs, agrees: "We're seeing a lot more promotional displays for pink and violets during the summer months. These colors are a good sale even in the winter months."

This shift toward the "non-browns" has only occurred during the last two years, said Brad Worthley, executive vp of Volt, USA. "Brown or suntan used to be the basic color," he said. "Now, the first thing people are out of are the black

Continued on page 14

New products geared toward older customers

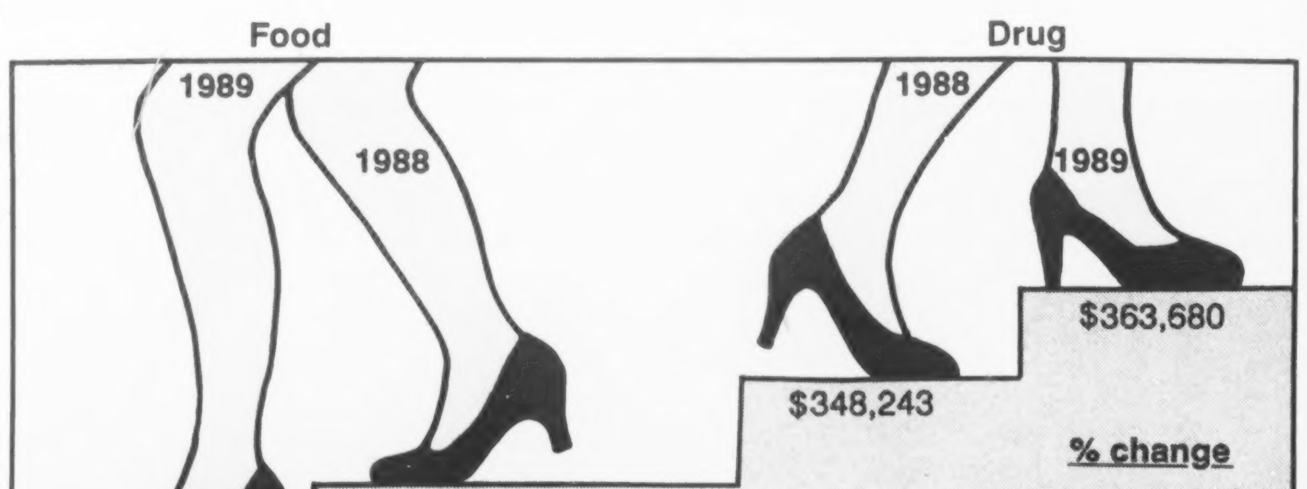
As the population ages, new products are arriving on the scene to accommodate these older consumers. Sid Brodkin, president of Bubby Hosiery (Bubby meaning grandmother in Yiddish) has created a stocking marketed to the older woman, who is concerned about keeping her legs warm.

"Pharmacists will tell you about the demographics; they're getting more older consumers in their stores," Brodkin said. "I started doing research and found that the industry wasn't doing anything for the older mature woman. The drug store market was a natural adjunct for our product."

The stocking is a natural cotton fiber in soft beige with a one-size-fits-all merchandising technique.

Hosiery sales up in drug outlets

(In thousands of dollars)



Source: Nielsen Marketing Research

Walgreens displays hosiery between the front-end and service cosmetics counter, where shoppers can readily see the selections, browse easily and also get recommendations.

Chains heed customer demand with greater ethnic selection

Ethnic shoppers are finding better selections in the drug store market, as manufacturers and retailers heed their demand for products to meet their specific needs.

"Our ethnic stores have some of the highest volumes of any of our stores, and when these customers tell me they want a product, I listen," said Kathy Johannes, buyer for Kerr Drug Stores.

> *'Our ethnic stores have some of the highest volumes . . . and when these customers tell me they want a product, I listen.'*
> **—Kathy Johannes, Kerr**

Vendors such as Rice Hosiery are also listening, coming out with products geared strictly toward the ethnic consumer. Bill Murray, Rice's director of sales and marketing, said pinpoint distribution practices will help win over this market niche. "It's a question of putting the correct product in front of the correct consumer in the correct store," he said.

Murray uses U.S. Census data to target prime areas for merchandising his Afro-tique and Brown Sugar lines, which differ from mass market products in three ways. "Our products are much sheerer than the mainstream," he said. "A dark-skinned consumer wants that skin tone to show through. Our consumers' calves and ankles are generally thinner and their thighs and hips are wider—this calls for double-graduated products that get smaller above the knee, and also at the calf."

Murrary also emphasizes that African-American and Hispanic women are looking for different colors, not the basic suntan color that accounts for about 60 percent of a mainstream line's sales. He stated that his customers prefer off-black, coffee, jet brown and white.

At Drug Emporium, Orlando, hosiery plays a big role in store's fashion statement. Shoppers are stopped by fabric swatches on Volt displays, which add appeal to complete in-line offerings of other brands.

Better selection & displays highlighting hosiery category

Continued from page 12

and off-black shades. Black now tends to outsell brown six-to-one. It's no longer an accessory item—it's a necessity item."

Upscale approach

Volt, though fairly new to chain retailing, has adopted a unique approach for the now upscale drug store market. A year and a half ago, the company started merchandising to drug stores, marketing its same department store approach it had been using for six years. "We've tried to carve out a department store niche right in the drug store market," he explained. Worthley contends that the uniqueness comes with the packaging, which features a fabric swatch on the outside of each package. "You see these in department stores every day. We feel it's important that the consumer touch and feel the garment before they buy it," he said.

The company also markets 14 colors in its line. "Sure, they buy their L'eggs, No Nonsense, or whatever brand they use, but we also want them to pick up a pink, peach or yellow when they pick up their other brands," Worthley said.

Drug stores are looking to take advantage of their fashion and convenience strengths by better organizing their hosiery displays. Historically, said Kerr's Johannes, summing up the views of many retailers, "it's just been hard to get this section to look good."

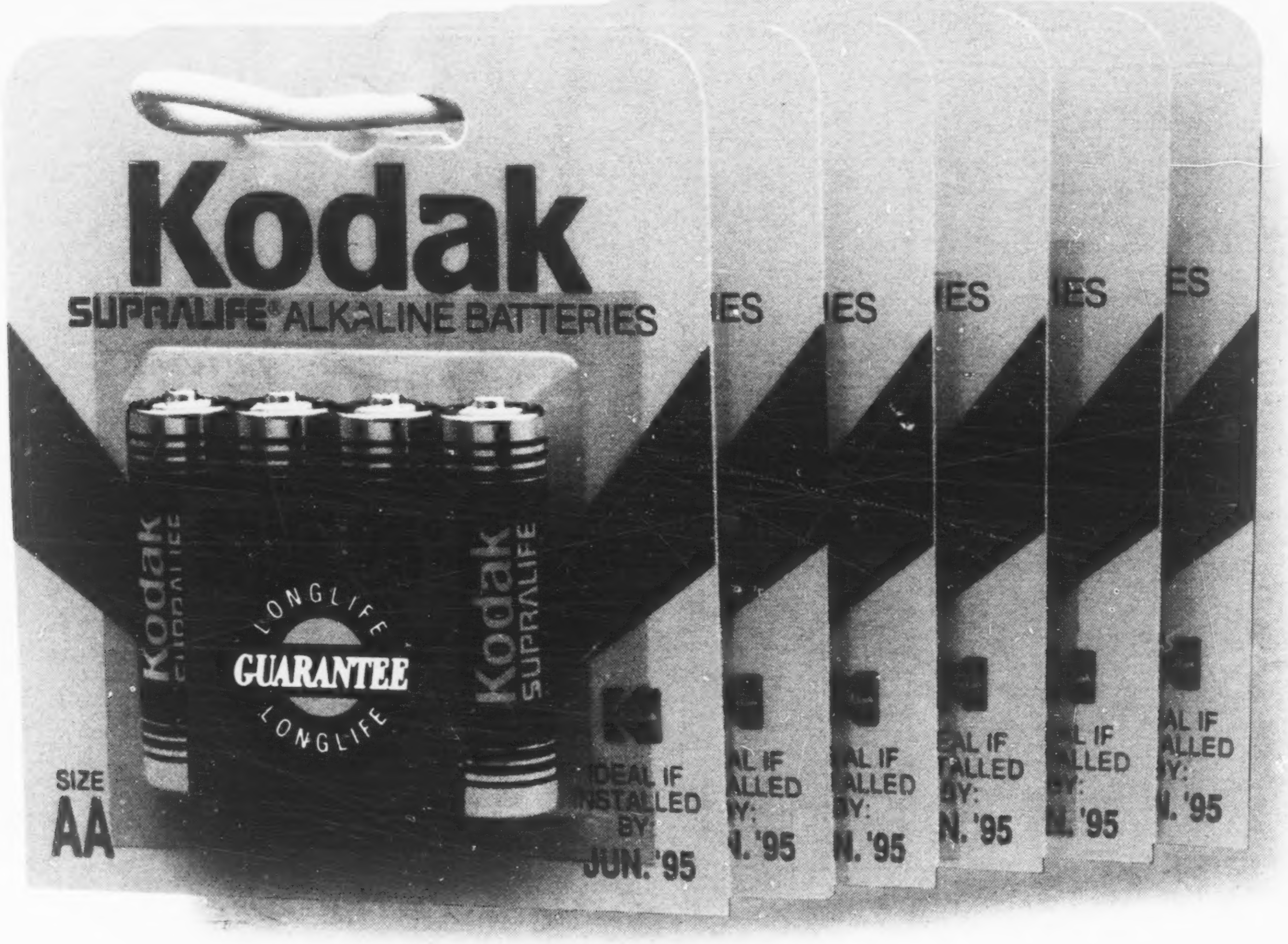
Hosiery displays

Kerr, like many others, is installing L'eggs hosiery center in its stores—a full, eight-to-12-foot modular unit with headers. The display, free to retailers, lets them group hosiery primarily by brand (competing brands get space as well); after that, it can be organized in any desired fashion: by size, color, or fabric.

The L'eggs Pantyhose Advisor—an interactive computer in the shape of a giant L'eggs egg—is another significant merchandising aid. Consumers punch in their height, weight and wearing occasion, said L'eggs' Gilbert. Other questions, such as closed vs. open-toed shoes, standing vs. sitting occasions and any leg problems, are also addressed. In approximately 30 seconds, the computer recommends a size and two different styles appropriate for the occasion. It also describes what the package looks like. She claims that the device has "increased sales by as much as 40 percent since last winter's rollout."

Hosiery in Albertson's is sold at 20 percent discount everyday to add to the store's value image and capture more impulse sales.

Rack 'em up.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Rite Aid's net and sales increase in first quarter

SHIRESMANTOWN, Pa. — Rite Aid Corp. reported increased earnings and sales for the first quarter ended June 2.

Corporate earnings increased to $25.2 million, or 61 cents per share, from the $23.3 million figure posted in last year's quarter. Sales were up 10.1 percent, to $830.5 million.

Retail drug net income climbed 6.8 percent to $23.3 million, on sales of $785.7 million, a 9.4-percent increase. As of June 2, the retail drug division operated 2,355 stores, a net gain of three from last year's period.

In the specialty retailing divisions, American Discount Auto Parts' net grew from $330,000 to $654,000 on a 20.0-percent increase in revenue, to $17.7 million; Encore Books' net was up $12,000 to $57,000, with sales increasing 7.4 percent to $7.8 million; and Concord Custom Cleaners saw earnings fall to $308,000 from last year's $487,000, with revenues climbing 7.5 percent, to $6.9 million.

In the Sera-Tec Biological medical service division, the acquisition of 14 blood plasma centers in May 1989 boosted sales 53.5 percent, to $12.5 million, with revenues climbing 32.9 percent to $908,000.

Fay's to build Paper Cutter base

Cont. from page 2

5,000-square-foot bantam unit, under the name F.D.C. Corner Drug, in Big Flats, N. Y. The chain has also been acquiring bantam stores from independents, including recent acquisitions in Eggertsville and Batavia, N. Y., and will seek to acquire as many as 10 more this year, Panasci said.

Panasci

Bantam-sized promos

The Eden and Big Flats bantams have scaled-down promotional programs, Wolfson noted, and focus on core drug store departments plus some seasonal merchandise.

As of May 22, Fay's operated 222 stores, including the 18 Paper Cutters and 25 Wheels stores.

Panasci, noting that net earnings reached an all-time high of $10.4 million on revenues of $574.1 million for fiscal 1990, estimated that sales should exceed $650 million this year and said the chain is setting its sights on hitting $1 billion in sales by calendar 1993.

[As reported in *Drug Store News*' June 18 issue, Fay's posted revenues for first-quarter 1991, ended April 28, of $153 million and net earnings, before an extraordinary charge of $574,000, of $1.5 million. The charge was related to the repurchase of subordinated debentures issued in 1985.]

Panasci also told shareholders at the annual meeting that Fay's plans to have all its super drug stores up on POS registers before the end of this fiscal year. All Paper Cutters and Wheels are now equipped with POS systems.

Walgreen May sales up

DEERFIELD, Ill. — Walgreens' May sales registered a 12.5-percent increase, to $511.2 million, the company reported, with same-store sales increasing 9.2 percent. Sales for the year to date were $2.482 billion, a 12.9-percent increase over 1989.

As of May 31, Walgreens operated 1,536 stores in 28 states and Puerto Rico, compared with 1,458 a year ago.

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Vol. 12, No. 13 July 9, 1990

MARKET DIARY:

Largest Dollar Gainer	Zenith Labs	$ 3.00
Largest Dollar Loser	JC Penney	$ − 8.00
Largest Percentage Gainer	Zenith Labs	70.59%
Largest Percentage Loser	Columbia Labs	−19.54%

Advances	27
Declines	27
Unchanged	2
New highs	12
New lows	2

	Close 6/6/90	Close 6/26/90	Net Change	Percent Change
Drug Store News Index	3056.39	3186.88	130.49	4.27
Dow Jones Industrial Average	2925.00	2842.33	− 82.67	−2.83
Standard & Poor's 500-Stock Index	366.64	352.06	− 14.58	−3.98
N.Y.S.E. Composite	199.93	192.47	− 7.46	−3.73
Value Line Index	250.43	242.85	− 7.58	−3.03

Source: Norduy International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 6/6/90	Closing Price 6/26/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.25	19.75	0.50	2.60	17	0.16	0.81	24.75	15.25
OTC	Big B (L)	BIGB	9.50	10.00	0.50	5.26	40	0.16	1.60	15.25	8.75
OTC	Drug Emporium	DEMP	8.13	8.38	0.25	3.08	13	0.10	1.19	14.75	6.25
NYS	Fay's Inc.	FAY	8.88	9.88	1.00	11.27	14	0.20	2.03	15.00	7.75
ASE	Genovese Drug	GDX.A	7.75	7.88	0.13	1.61	19	0.24	3.05	11.75	7.25
OTC	Leroy Pharmacies (H)	LERY	6.75	7.38	0.63	9.26	−246	0.00	0.00	7.50	2.88
NYS	Longs Drug Stores	LDG	42.00	40.75	−1.25	− 2.98	13	1.04	2.55	48.50	36.75
OTC	Medicine Shoppe	MSII	21.75	22.25	0.50	2.30	22	0.16	0.72	26.38	17.75
NYS	Perry Drug	PDS	7.38	8.75	1.38	18.64	15	0.00	0.00	12.75	7.00
NYS	Rite Aid Corp.	RAD	35.13	33.50	−1.63	− 4.63	16	0.88	2.63	41.13	29.50
NYS	Walgreen Co.	WAG	45.75	46.25	0.50	1.09	18	0.80	1.73	50.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	28.25	27.00	−1.25	− 4.42	15	0.40	1.48	28.88	20.50
OTC	Bindley Western Ind. (H)	BIND	11.63	14.13	2.50	21.51	23	0.00	0.00	14.25	8.25
OTC	Cardinal Distribution (H)	CDIC	26.25	26.63	0.38	1.43	21	0.08	0.30	27.50	18.25
OTC	Durr-Fillauer	DUFM	21.63	24.00	2.38	10.98	16	0.28	1.17	25.88	18.50
ASE	Ketchum	KCH	2.25	2.50	0.25	11.11	− 1	0.00	0.00	6.50	1.63
NYS	McKesson Corp.	MCK	35.13	35.38	0.25	0.71	16	1.60	4.52	39.75	31.75
ASE	Moore Medical	MMD	6.25	6.00	−0.25	− 4.00	− 9	0.00	0.00	15.13	5.25
NYS	Owens & Minor	OMI	13.00	12.88	−0.13	− 0.96	35	0.24	1.86	13.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	37.88	40.25	2.38	6.27	20	0.84	2.09	41.00	29.00
NYS	American Home Products	AHP	53.50	50.50	−3.00	− 5.61	14	2.12	4.20	55.13	46.50
NYS	Baxter International	BAX	23.38	24.13	0.75	3.21	− 56	0.64	2.65	26.25	20.50
OTC	Block Drugs Co.	BLOCA	35.25	35.00	−0.25	− 0.71	13	0.68	1.94	38.00	33.25
ASE	Bolar Pharmaceutical	BLR	6.75	5.50	−1.25	−18.52	15	0.04	0.73	30.50	3.50
NYS	Bristol-Myers Squibb (H)	BMY	62.13	61.38	−0.75	− 1.21	40	2.12	3.45	63.63	46.38
NYS	Carter-Wallace	CAR	53.75	52.75	−1.00	− 1.86	16	0.80	1.52	60.50	45.25
ASE	Columbia Labs (L)	COB	10.88	8.75	−2.13	−19.54	− 9	0.00	0.00	19.63	7.38
ASE	Forest Labs	FRX	45.00	43.38	−1.63	− 3.61	30	0.00	0.00	47.38	30.50
NYS	ICN Pharmaceutical	ICN	2.75	4.00	1.25	45.45	− 1	0.00	0.00	6.88	2.50
ASE	Lee Pharmaceutical	LPH	1.63	2.75	1.13	69.23	− 11	0.00	0.00	4.00	1.50
ASE	Leiner P. Nutrition	PLI	11.75	11.88	0.13	1.06	13	0.00	0.00	14.25	8.75
NYS	Lilly Eli Co. (H)	LLY	77.75	79.38	1.63	2.09	23	1.64	2.07	81.63	54.38
NYS	Marion Labs	MKC	24.50	24.88	0.38	1.53	86	0.60	2.41	36.63	21.00
NYS	Merck Co.	MRK	83.75	82.88	−0.88	− 1.04	21	1.80	2.17	85.38	66.63
NYS	Mylan Labs	MYL	23.50	22.75	−0.75	− 3.19	32	0.20	0.88	25.38	9.38
NYS	Par Pharmaceutical	PRX	6.00	7.63	1.63	27.08	− 12	0.00	0.00	10.38	3.88
NYS	Pfizer Inc.	PFE	64.50	62.38	−2.13	− 3.29	15	2.40	3.85	75.75	54.50
NYS	Rorer Group (H)	ROR	70.63	67.38	−3.25	− 4.60	32	0.84	1.25	70.75	37.00
NYS	Schering Plough	SGP	47.25	46.75	−0.50	− 1.06	21	1.12	2.40	48.00	32.75
NYS	Syntex Corp. (H)	SYN	58.50	57.00	−1.50	− 2.56	20	1.60	2.81	59.50	40.00
OTC	Taro-Vit Industries	TAROF	0.88	1.13	0.25	28.57	− 16	0.00	0.00	1.88	0.88
NYS	Upjohn Co. (H)	UPJ	43.25	40.50	−2.75	− 6.36	24	1.00	2.47	43.50	29.50
NYS	Warner-Lambert (H)	WLA	61.25	62.25	1.00	1.63	19	1.52	2.44	64.88	44.25
OTC	Zenith Labs	ZENL	4.25	7.25	3.00	70.59	—	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's (s)	ABS	33.50	34.13	0.63	1.87	11	0.96	2.81	35.13	23.50
NYS	American Stores	ASC	70.25	65.25	−5.00	− 7.12	18	1.12	1.72	72.50	51.38
NYS	Giant Food	GFS.A	27.13	26.75	−0.38	− 1.38	15	0.60	2.24	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	56.88	55.63	−1.25	− 2.20	14	0.68	1.22	65.38	48.25
NYS	K mart	KM	36.50	34.88	−1.63	− 4.45	21	1.72	4.93	44.88	32.13
NYS	Kroger	KR	15.25	14.88	−0.38	− 2.46	−165	0.00	0.00	19.75	11.75
NYS	Melville Corp.	MES	50.63	50.63	0.00	0.00	15	1.40	2.77	53.63	41.13
OTC	Fred Meyer	MEYR	16.25	16.25	0.00	0.00	− 63	0.00	0.00	22.00	13.00
NYS	Penney, JC	JCP	67.25	59.25	−8.00	−11.90	9	2.64	4.46	75.63	54.88
NYS	Safeway	SWY	12.38	12.75	0.38	3.03	98	0.00	0.00	12.88	11.63
NYS	Smith's Food & Drug	SFD	33.00	32.25	−0.75	− 2.27	27	0.28	0.87	33.75	20.50
NYS	Wal-Mart (H)	WMT	60.38	59.50	−0.88	− 1.45	30	0.28	0.47	63.63	37.00

Note: Albertson's completed a 2-for-1 stock split. Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.

Source: Nordby International, Inc., Boulder, Colorado

C5150-2

DRUG STORE NEWS®

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LATE NEWS

FEATURES

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Rite Aid weighs legal counterpunch

By Susan Ball

SHIREMANSTOWN, Pa. — Now that a judge in Cleveland has thrown out the bribery case against Rite Aid and its president, Martin Grass, Rite Aid is considering expanding the defamation suit filed last year against Ohio Board of Pharmacy member Melvin Wilczynski to include others involved in the case.

The civil suit against Wilczynski, who had been a consultant to Peoples Drug's Lane division, was originally filed in May 1989 and had been stayed pending the outcome of the bribery trial. The stay has now been lifted by Judge Alvin I. Krenzler of U.S. District Court for the Northern District of Ohio, in Cleveland.

> ***'This [bribery] case was rotten from its inception and had no merit whatsoever. We don't want to proceed like that; we will proceed with deliberation.'***
>
> **—Moscarino**

One of the attorneys representing Rite Aid and Grass, George J. Moscarino of the Cleveland law firm of Jones, Day, Reavis & Pogue, said, "We have a lot of discovery to do, which we were prohibited from doing" for the approximate year the stay order was in effect.

"We will now have to determine whether to add people to the suit, initiate other suits, or both, or neither," Moscarino told *Drug Store News*.

"This [bribery] case was rotten from its inception and had no merit whatsoever," he said. "We don't want to proceed like that; we will proceed with deliberation."

The bribery trial, which began July 2, ended July 16, after the prosecution rested its case and before defense testimony was to begin, when Judge Lillian J. Greene of Cuyahoga County Common Pleas Court granted a defense motion for a judgment of acquittal. Judge Greene ruled that the evidence presented was

See **Rite Aid** *page 45*

Revco LBO finding may bring slew of suits

By James Frederick

News Analysis

NEW YORK — A close examination of Revco's 1986 leveraged buyout turned up plenty of evidence that the deal was poorly conceived, perhaps even fraudulent in some aspects. That finding could open up a slew of lawsuits by current Revco creditors against former shareholders, company insiders and financial firms which profited from the buyout.

It is also likely to impact how future LBOs are conceived and sold to lending banks, bondholders and other investors and creditors. Future deals may be constructed with far more caution in light of the finding's implications.

Last month, a bankruptcy law expert appointed to examine Revco's failed LBO concluded that the deal put together four years ago probably left the giant drug chain "with insufficient capital to conduct its business. . . [or] satisfy its then known obligations."

In his preliminary report to U.S. Bankruptcy Court, Barry Zaretsky, the Revco examiner, also noted that "projections used to support the analysis of the Revco LBO may not have been properly prepared.

"On an asset basis, it is certainly plausible that Revco was rendered insolvent by the Revco LBO," he wrote.

Zaretsky, a law professor who serves with the New York legal firm of Kelley Drye & Warren, also noted in the report his belief that "there is a basis for proving the financial elements of a fraudulent conveyance."

With his preliminary conclusion that "viable causes of action exist against a broad panoply of defendants under

See **Revco** *page 45*

NACDS conference explores Rx of the 90s

ANAHEIM — Directors of pharmacy from major drug chains nationwide, representatives from pharmaceutical manufacturers, and friends of pharmacy will converge here August 26 to attend NACDS' 33rd Annual Pharmaceutical Conference being held at the Anaheim Hilton.

Dubbed "Decade of Transition," the four-day conference will explore the future of retail pharmacy over the next decade. Of particular interest to attendees will be discussion on the changing health care environment of the '90s and its affect on retail pharmacy. A panel of experts, headed by Arthur Miller of the Harvard Law School and the TV show, "Millers Court," will take an in-depth, futuristic look at the quality and efficiency of health care, technology and patient care over the next decade.

Attendees will also be able to attend a series of mini-seminars that will feature such topics as: the impact of technology, presented by Bill Felkey, M.S., Auburn University; managing patient care, presented by Bruce Berger, Ph.D., Auburn University; research and information on the retail prescription marketplace, presented by Kurt Proctor, Ph.D., NACDS director, research and information; driving sales by listening to customers' advice, Tom Leonard, president of Stew Leonard's of Danbury, Conn.; and catering to the older patient, presented by Jack Robbins, Ph.D., Schering Laboratories.

Famed ABC sports commentator Chris Schenkel will be a special breakfast guest speaker.

Chain drug retailers will be able to visit with drug manufacturers at their booths during exhibit hours and at business conferences scheduled throughout the four days. Chain and associate members may earn 0.85 CEUs for verified participation in the conference.

Drug Emporium

Drug Emporium is bracing for the inevitable deep discount battles around greater L.A.

Drug Emporium heats up Southern California

REDONDO BEACH, Calif. — After a sluggish start in the mid-1980s, and with Phar-Mor now appearing in its rear-view mirror here for the first time, Drug Emporium is up and running again in Southern California. The off-price giant has opened four new stores in the greater Los Angeles region since it bought out a local franchisee in 1988, and will bring two more online by the end of the year.

Drug Emporium now has nine stores open in Southern California, and has nailed down leases for two new stores which will open late this year in Puente Hills and Lancaster, Calif., outside L.A. The chain is also "in various stages of negotiations" for leases on several more sites in the sprawling, densely-populated area around L.A., according to West Coast regional director of operations Tim Ziemke.

In addition to Redondo Beach, Drug Emporium now has units open in Fountain Valley, Fullerton, Tustin, North Hollywood, Anaheim, Covina, Chino and LaPalma.

"Our biggest challenge in California is to get our store count up; we need more locations," said Ziemke's superi-

See **Drug Emporium** *page 45*

NEWS IN BRIEF

May's picks up six Okla. Revcos

TULSA, Okla. — May's Drug Stores has acquired six Oklahoma Revcos, raising its roster to 31. The stores were originally part of Eckerd's purchase of 220 Revcos.

May's kept all employees when the stores started to operate under the May's banner on August 1. Remodeling will start later this summer, president Gerald Heller told *Drug Store News*.

Advertising May's new ownership will begin after a few weeks of operation, said executive vp Russ Smith II. May's will run weekly rather than monthly ads in the affected markets, until customers grow used to the change, he added. The ads will feature both logos during the first few weeks, then start to emphasize the May's logo. "Typically, we have a character which pushes the other logo off the page, little by little, each week," Smith said.

Eckerd places $123M in senior notes

CLEARWATER, Fla. — Eckerd's recent placement of $123 million in senior secured notes (due 1997) with Merrill Lynch Capital Markets will be used in part to refinance senior bank debt and won't increase Eckerd's total debt, said Dorothy Lee, an analyst with Moody's Investors Service.

The placement was done along with a refinancing of Eckerd's bank credit agreement with Morgan Guaranty Trust Co., an agent for the bank lending group.

The new notes' security will be subordinate to the remaining bank debt, and there will be no less security for holders of Eckerd's high-yield bonds, said Lee.

Eckerd said that the move will provide added working capital, and reduce the required principal amortization "over the next several years."

Nichols files for Chapter 11 protection

NEW YORK — Despite a 15-month-long restructuring effort that included closing unprofitable stores and converting 16 of its discount department stores to deep discount drug stores under the name Pharmhouse, S.E. Nichols filed for Chapter 11 protection Aug. 2 in the United States Bankruptcy Court, Southern District of New York.

The company, which failed to pay the interest due June 1 on its 14⅞-percent debentures, had been pursuing financing alternatives. In addition, Kenneth A. Davis, Nichols president and ceo, said the company "has encountered increasing problems in obtaining adequate vendor support."

Davis stated that seeking relief under Chapter 11 would enable the company to continue converting its stores to Pharmhouse outlets and operating the stores already converted, which the company said have shown encouraging results to date. The company also announced it has received a commitment from Sterling National Bank for a revolving credit facility of up to $10 million.

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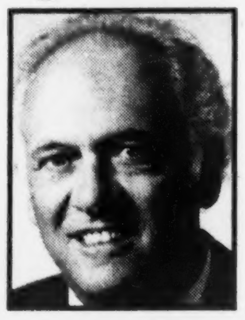
For Bergen Brunswig, it's another Martini, straight up

Emil Martini


R. Martini

ORANGE, Calif. — When Emil P. Martini, Jr., retires as ceo at Bergen Brunswig the end of this month, his younger brother, president Robert E. Martini, will assume the extra title.

Emil Martini will continue as chairman. Dwight Steffensen, executive vp, will take on the chief operations officer responsibility.

"This move is the latest stage in a transitional period that has developed over the past few years," John T. Fay, Jr., vp, told *Drug Store News*. "The strategic direction of the company will remain the same, the brothers are just changing responsibilities as they ease into retirement."

The change was not a total surprise, since the company has a retirement plan which is designed to encourage retirement at the age of 62, Fay said. Emil Martini turned 62 on August 9. Additionally, the company's fiscal year ends on August 31. "Obviously, it seemed to him to be the right time for a change," Fay said.

The move fits in with the recapitalization plan, approved by shareholders a year and a half ago, Fay added. Under that plan, the company's B stock, currently held by the Martini brothers, would convert to A stock by 1994.

Bergen Brunswig has eclipsed $3.5 billion in sales, and is credited with being a drug wholesaler on the cutting edge of technology.

SupeRx: No plans to divest Ariz. units

PHOENIX — SupeRx Corp. chairman and chief executive Gerald Wolken firmly denied a published report that the bankrupt company had retained the former head of Wickes Cos. and was planning to divest its stores in Arizona.

According to the report which surfaced last month in another newspaper, SupeRx had hired former Wickes Cos. chairman and ceo Sandy Sigoloff to help with its financial reorganization. Quoting "industry sources," the report stated that one of Sigoloff's duties would be to divest the SupeRx stores in the company's home state, leaving the firm with 89 Medicare-Glaser stores in Missouri, Illinois and Connecticut.

"There's absolutely no truth to it," Wolken told *Drug Store News*. "We haven't hired Sigoloff, and we will not do so."

Wolken also denied that the chain had any plans to sell the Arizona division or any other large blocks of stores. "Our plan is to negotiate a plan of financial reorganization and come out of Chapter 11 intact, as an ongoing concern," he said. "That hasn't changed."

Meanwhile, Wolken said, SupeRx is still "in the process of interviewing candidates" to select an investment banker to help in its reorganization efforts. The chain is also interviewing to fill the post of chief operations officer, which was vacated with the departure of former president and chief operations officer Jim Mastrian in May, at the time of SupeRx's bankruptcy filing.

"We're still pretty early in the process," said Wolken.

SupeRx filed for Chapter 11 protection May 11 after failing to negotiate a new financial package following the collapse of its chief lending institution, the notorious Lincoln Savings & Loan, once headed by Charles Keating. SupeRx moved quickly to close 11 underperforming drug stores and rebuild supply pipelines with vendors after the filing.

Those efforts have paid off, Wolken said. "Our in-stock situation has seen dramatic improvement," he said. "For the most part our vendors have been very supportive."

Concord/Wrigley eyes Fairlane deal

PONTIAC, Mich. — Concord/Wrigley Drugs has signed a letter of intent to purchase Fairlane Drugs, a small chain of five drug stores in the metro Detroit area. The purchase, if finalized, will boost Concord to 15 total units.

"We have an option to buy the stores, provided all the terms and conditions are met," said Concord chief executive Alan Stotsky. "They fit right into our marketing plans, and they don't overlap with our [current locations]."

The Fairlane stores, all of which Concord plans to keep open, operate in the suburban towns of Warren, Livonia and Sterling Heights north and west of Detroit.

> *'We have an option to buy the stores, provided all the terms and options are met.'*
>
> **— Alan Stotsky**

Revco names new head of pharmacy operations

TWINSBURG, Ohio — Michael O'Neill has been promoted to replace Jim Rotsart as vp-professional operations at Revco D.S. Rotsart has resigned after serving as head of pharmacy operations since 1989.

O'Neill, 50, is currently regional vp of Revco's western region, much of which has already been sold off. The rest of the western division stores are still on the selling block in line with the chain's 712-store divestiture program, and O'Neill will take up his new post later this year when the remaining units in Arizona, New Mexico, western Texas and Colorado are sold.

A 27-year drug store industry veteran and pharmacist, O'Neill joined Revco in 1988 after serving as regional vp for Gray Drug Fair. He also spent 13 years with Jack Eckerd Corp. as a pharmacist, store manager, pharmacy operations manager, Houston district manager and vice president.

O'Neill will continue to report directly to Dwayne Hoven, executive vp-stores.

Corrections

Due to a reporting error, an article in the July 23 issue of *Drug Store News*, "Mesalam fills president's post at Hook," referred to senior management resignations at the drug chain. There have been no resignations.

Newell Hall, former president, and Mark Varnau, former vp-marketing, both retired within the past year.

* * *

A chart of the best-selling non-chocolate candies that appeared in the July 23, 1990 issue of *Drug Store News* didn't cover the entire product segment; rather, it focused on low-price "10-cent" brands and novelties that have special appeal to children. The chart's headline didn't properly reflect that focus.

Lack of new products slows down H&BA sales

PRODUCT TRACKING

ALAN MILLER

During the 12 weeks ended March 23, 1990, nationwide unit sales in 59 health and beauty aid categories tracked by SAMI fell 1.6 percent in food stores and 2.0 percent in drug stores. A report just issued by SAMI on new brand introductions during the 52-week span provides a clue as to one of the reasons for the weakness of health and beauty aids categories. There were only 21 new brands launched during the year with volume of $1 million or more in the nation's food stores.

Of these 21 brands, there were only three with 52-week dollar volume in excess of $10 million: Motrin IB (Ibuprofen), Co-Advil (also an Ibuprofen ingredient cold remedy) and Chesebrough-Pond's Rave shampoo. The highest 12-week dollar share attainment was provided by Gillette's new Sensor razor sets, which accounted for 55.1 percent of category volume. Gillette Sensor razor blades had year-to-date food store volume of $4.2 million in this category. Another brand with strong sales performance was Fabergé Power stick antiperspirant, introduced nationally in June 1989 and accounting for 4.4 percent of 12-week category volume for the period.

Two categories had as many as three new million-dollar brands: stick deodorants and pads, and shampoo.

Among deodorants and antiperspirants, Helene Curtis' Degree Spray held a 2.8-percent dollar share and its roll-on product accounted for more dollars than the spray, but the share level was lower (1.9 percent). Two categories had as many as three new million-dollar brands: stick deodorants and pads, and shampoo. Another new million-dollar brand with good performance was S.C. Johnson's Soft Sense shaving cream, which reinforced the company's franchise in this category as a companion product to Edge.

All of the 21 new million-dollar H&BA brands combined accounted for $83.8 million, or just under 1 percent of total annual food store sales in all monitored categories combined.

There were 373 new H&BA brands introduced during the year with volume, to date, of less than $1 million. Combined, they accounted for $16.4 million, or less than 0.2 percent of total health and beauty aids annual volume in food stores of nearly $9.1 billion.

The average retail sales among these 373 new brands was only $44,000, and in many instances, their 12-week share was less than 0.005 percent. In a number of instances, new brands were no longer being marketed in any of SAMI's 54 major markets as of the 12-weeks ending March 23.

There were four H&BA product categories with more than 20 new brands introduced in food stores during the 52-week interval, paced by shampoo, with 40 brands appearing in one or more SAMI markets. The other three categories with more than 20 new brands were hair conditioning rinses (32), hair setting needs (24), and hand and body creams/lotions (22). There were four H&BA categories with no new product activity: denture adhesives, chest rubs, home permanent kits and proprietary tranquilizers.

Anyone wishing to obtain the comprehensive Arbitron/SAMI new product introductions report should contact Celeste Monte, director of corporate development, at 41 East 42nd St., New York, N.Y. 10017, (212) 297-1176.

Importance of new H&BA brands introduced

(Year ending 3/23/90. Warehouse withdrawals, food stores)

Category	No. of million-dollar brands	12-week dollar share	No. of less than million-dollar brands	12-week dollar share
Baby powders	0	0	2	0.03
Baby oils, creams & lotions	0	0	8	0.07
Infant clothes	0	0	5	0.12
Contraceptives	0	0	5	0.91
Personal lubricants	0	0	2	0.28
Home testing kits	0	0	1	0.15
Thermometers	0	0	4	0.23
Disposable insulin syringes	0	0	3	3.24
Spray deodorants	1	2.79	4	0.03
Roll-on deodorants	0	0	4	3.79
Stick deodorants & pads	3	7.50	3	0.17
Cream deodorants	0	0	1	0.06
Feminine hygiene deodorants	0	0	1	0.21
Foot deodorants & athletes foot remedies	0	0	2	0.12
Feminine douches/washes/powders	0	0	2	0.90
First aid antiseptics	0	0	9	0.03
First aid products	1	1.05	11	0.31
Elastic goods & dressings	0	0	6	10.82
Shampoo	3	2.47	37	0.34
Hair spray	1	0.65	17	0.36
Hair conditioning rinses	0	0	32	2.27
Hair setting needs	2	2.39	24	0.36
Hair coloring	0	0	2	0.13
Hair dressing needs	0	0	8	1.12
Breath fresheners	0	0	1	1.40
Denture cleaners	0	0	1	1.66
Toothbrushes	0	0	8	0.13
Antacids	0	0	6	0.03
External analgesics	0	0	5	6.11
Cold remedies	1	2.09	5	0.12
Nasal sprays/drops/inhalers	0	0	2	0.02
Cough remedies	0	0	11	0.05
Laxatives & stool softeners	0	0	6	0.03
Sleeping aids	0	0	3	0.03
Eye care products	0	0	4	0.07
Appetite suppressants	0	0	5	0.94
Synthetic vitamins	1	0.84	7	0.04
Natural vitamins, minerals, & supplements	0	0	12	0.39
Misc. proprietary remedies	0	0	6	0.05
Shaving creams	1	4.35	3	0.02
Pre-shave lotions	1	13.95	2	2.48
Aftershave lotions	1	4.85	7	2.09
Razors & blades	2	62.68	1	1.57
Hand & body creams/lotions	0	0	22	0.16
Facial preparations	0	0	10	1.21
Lip care products	0	0	9	0.17
Cosmetic & medicated skin aids	0	0	12	2.43
Total	21		373	

Source: Arbitron/SAMI

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BEAUTY TRENDS

Size matters when considering hair care families

*Trends in hair care product category sales**

(In millions of dollars)

	1988** sales	% change	1989** sales	% change	1990*** sales	% change
Shampoo	$1,078.6	6.5%	$1,149.0	6.5%	$ 386.2	4.3%
After shampoo	609.2	10.7	652.0	7.0	221.7	5.8
Fixatives	490.3	5.7	482.5	(1.6)	157.3	(1.6)
Hair color	398.4	5.0	416.3	4.5	140.3	4.3
Ethnic	226.7	5.1	233.1	2.8	74.7	(4.0)
Mousse	112.5	(8.3)	108.2	(3.8)	36.0	(0.1)
Men's hair preps	109.1	(1.2)	107.6	(1.5)	33.8	(4.6)
Perms/waves	90.6	(0.1)	91.8	1.4	28.8	(1.8)
Total hair care	3,115.3	5.7	3,240.7	4.0	1,078.9	2.5

*All mass food and drug outlets. Mass merchandise store estimates are not available.
**For the full year ended in December
***For the four-month period ended in April 1990.

Source: Nielsen Marketing Research

Professional hair care products are one of the strong growth areas in hair care for chain drug stores, up as much as four times the mass market category, buyers say.

In hair care, the big merchandising question this year is still whether to planogram by family or by category.

Even though more chains are moving toward a family presentation, there is still vigorous debate as to whether this is the smartest course.

Some feel that a family approach, although logical, is not appropriate for the average drug chain with less than 12,000 square feet per store.

"In categories like hair care, skin care and bath," said a toiletries manager for a Top Five drug chain, "there isn't enough room on many gondolas to merchandise everything by family. You can't get all the segments on one gondola, especially if you have stores with gondolas averaging eighteen to twenty-four feet.

"And then you have single items, and lines with just five SKUs, and these can be very good sellers, but they will get lost if you try to do a family presentation. It isn't fair to these vendors to go with a family set, plus it deprives me of their full sales potential."

The person in charge of toiletries for another major drug chain also felt that a family set for hair care is not a productive step to take.

"If we put everything together by families, it's too confusing for customers," the director of toiletries said. "The items lose their identity. People want to buy deodorants in deodorants. Shampoos in shampoo.

Many chains are currently in what buyer described as a "transitional mode" in planograming hair care, meaning some categories have been given a family presentation (usually shampoos and conditioners), while some categories are still generic (hair sprays and styling aids).

In this bridge state, some buyers find themselves facing an additional complication. Some hair sprays, such as Aqua Net, may have been taken from the generic set and mixed in with the rest of their family of shampoo, conditioning and styling aid products. But other brands are not merchandised with a family. They are merchandised in the generic set.

Some buyers report customers are confused by this type of presentation, assuming that when can't find a brand in the generic set, the store's out of it, or vice versa if they can't find it in the family presentation.

Buyers know this approach isn't working, but they haven't found the answer for it.

"It's like realizing you can't be half pregnant," says Perry Drug's Scott Gorley. "You have to go one way or the other, but in a chain such as ours, where some stores are too small to do a family set, it's not clear yet what to do.

Perry space moves help some products grow 30%-plus

"In our 5,000-square-foot stores, we have sixty-four-inch high gondolas that average eighteen to twenty feet. Space is too tight to do a family set.

"In our 15,000-square-foot stores, we have the space and we can do it. But we also want all our stores to look the same, so what should we do?"

In Perry's latest planogram for their largest stores, the mass hair care department currently gets 32 feet, in eight 4-foot sections.

The first two sections open with the therapeutic shampoos and conditioners on the top two shelves, and the low-end brands merchandised across the bottom in blocks.

The third section makes the transition into the mid-priced shampoos and conditioners which are merchandised together on the top two shelves, while the low-end brands continue to flow across the bottom of the section in blocks.

The last 8 feet on the far right of the planogram turns into the family set, with lines such as Vidal Sassoon, Pantene, Redmond, Salon Selectives, Jhirmack and Studio all merchandised here as a family of products.

Perry also has a 4-foot and an 8-foot set for styling aids that is located either adjacent to the 32-foot set or right across from it, depending on store size and configuration.

Again, depending on store size, color is given either 4, 8 or 12 more feet while perms usually get 4 feet.

The professional hair care department is merchandised on a low gondola in the cosmetics department. Perry's cosmeticians are responsible for this department and are close by to answer customer questions and suggest appropriate purchases.

Until this year, Perry wasn't using a strict planogram for hair care. But since the planogram has gone into effect, Scott Gorley reports that sales on some lines are up 30 percent over a year ago. He credits the planograming and the family presentation for making the difference.

Hair care category sales, by class of trade

(In millions of dollars)

	Food	Drug
1987* sales	$1,553	$1,392
% change	2.4%	1.4%
Share of sales	52.7%	47.3%
1988* sales	$1,641	$1,474
% change	5.6%	5.9%
Share of sales	52.7%	47.3%
1989* sales	$1,699	$1,541
% change	3.5%	4.6%
Share of sales	52.4%	47.6%
1990 sales**	$560.5	$518.5
% change	1.0%	4.1%
Share of sales	51.9%	48.1%

* For the full year ending in December
** For the four-month period ended in April 1990.

Source: Nielsen Marketing Research

Continued on page 26

Styling aids, all-in-ones give hair care category a boost

Although the hair care category is mature, with consumption of shampoos and conditioners at saturation, chain drug hair care buyers and merchandisers report they see growth in select segments, specifically styling aids (especially spritzes), all in one products (especially Pert Plus), shine enhancing products, hair color, value-priced brands and premium-priced prestige and salon brands.

Most chains say their shampoo/conditioner sales are up moderately in dollar sales, helped by the growth in popularity of premium-priced and professional salon lines.

Deep discount chains, such as Detroit-based F&M and Cincinnati-based Drug Emporium, are enjoying stronger growth with some sources reporting dollar sales gains of 8 percent or better in this segment, and unit sales increases in the low single digits.

The spritz segment is up in excess of 10 percent in dollars for many of the traditional chains, and up in excess of 25 percent for some deep discount chains.

All-in-one products like P&G's Pert Plus are doing "fabulously," with every buyer interviewed reporting strong growth in this area. Pert Plus, of course, was also helped by its recent high rating in a *Consumer Reports* article on hair care products.

At one of the Top Five Highest Volume drug chains, the merchandiser in charge of toiletries says their strongest growth right now is coming from Pert Plus, which seems, with its success, to have launched a whole new segment of hair care products: all-in-one shampoo conditioners.

Like the majority of buyers polled, this source feels that both the new Vidal Sassoon Ultra Care line and Revlon's new Flex & Go shampoo/conditioners will also do well when they debut later this year, simply because there is such a demand for this type of convenience product.

Strength in pro lines

This chain also reports that its sales of professional hair care products like Aussie, All Set, TRESemmé and others are also increasing at an above-average rate.

The toiletry director for another very high volume drug chain also confirmed that "Styling and professional products are where it's happening for us."

"Our shampoos and conditioners are up about 5 percent in dollars because of the success of the premium and professional brands, but in units, we're basically flat.

"Styling, however, is up almost in double-digit rates and it's because of all the new entries in the category. Our professional lines are up four times as much as the regular shampoos and conditioners."

Is it easier for consumers to shop for hair care by segment or by brand families? Most chains think the family approach works best for shampoos and conditioners, but they go with a segment approach, as pictured here, for styling aids.

Many chains continue to enlarge their sets for prestige and salon brands such as Redmond's Aussie, TRÈSemmé, All Set and others. They are also reporting good movements on lines relatively new to this category, such as New Zealand, Faust and CitreShine.

At Douglas Drug in Rhode Island, hair care buyer Steve Dubin said professional lines are doing so well that Douglas has now authorized 8-foot and 12-foot sets for all 16 of its stores. "It's a strong growth area for us," Dubin said, "but we need to give it more space to make it stand out more."

Dubin also reported that he

(Continued on page 30)

Size does matter when considering hair care families

Continued from page 25

Because of pressing priorities in other areas, Gorley doesn't plan to make any further hair care planogram changes this year, but by next spring, when their next planogram rolls out, he hopes he'll have enough information from sellthroughs and operations to decide if a full family-line presentation is the right way to go.

At Bartell Drug, vp of merchandising Gordon O'Reilly says he is still grappling with the question of a family concept versus a category concept.

"We'd like to do a family presentation," he says, "because we'd believe we'd be more likely to get companion sales. It's certainly true with Neutrogena. They convinced us to do a family set and they were sure right."

Bartell still has a category planogram in effect for its hair care department, but they have taken the intermediate step of ending their shampoo department with brands that have companion conditioners. That companion set makes a transition into their next section, which is conditioners.

Austin: professional and mass brand shoppers differ

At Austin Drug in New York, hair care buyer Kathy O'Sullivan says her nine-unit chain is also in a transitional phase. Shampoos and conditioners are in one set; styling aids are in another. Some lines, such as Neutrogena, Studio Line, Condition, and Final Net, are in full family sets.

O'Sullivan says their merchandising change is going on in stages. Flex, for example, is not in a family set partly because Austin hasn't gotten to it yet.

Merchandise manager Burt Patowski makes the planograming decisions, and he is reviewing family presentations in other categories, including mass skin care.

Because of space variations, Austin merchandises hair somewhat differently in its stores. Usually hair care is in the first aisle adjacent to cosmetics.

Generally, there is a 28-foot run of shampoos, conditioners and styling aids; another 10 to 16 feet for professional products; with 14 to 18 feet for color and perms.

Austin's service cosmeticians are also responsible for hair, and they're on hand to answer questions and re-order.

Austin has found that in hair care, bonus and special value promotions work well at generating traffic, specifically at key seasonal times such as the beginning of summer and back-to-school.

They plan their endcaps to highlight the products that are advertised in these events, and they usually use an entire back page of their circular just to focus on hair care.

Last June, their summer ad, which broke in early June, featured bonus sizes of TRÈSemmé, Amitee, All Set and Stiff Stuff, as well as shrink-wrapped duo packs of New Zealand shampoos and conditioners.

Because Austin's management believes their customers for professional and mass lines are distinctly different shoppers, they like to feature both professional items in their ads, as well as some popular mass brands such as Flex and Head & Shoulders.

How F&M displays hair care

At F&M, hair care is given a massive presentation. Shampoos and conditioners get an average 48 to 52 feet; styling aids get 8 to 12 feet; color gets 12 feet; perms get 4 feet; and professional products get an additional 24 to 32 feet in a set adjacent to the mass hair care lines.

F&M is receptive to the idea of using shelf fixtures to help organize family lines and categories.

Merchandising director Joel Weingarten says the fixtures from Neutrogena and Studio Line have been useful in selling product and he's glad to see more manufacturers getting involved in this area.

But he warns that a fixture has to truly be able to help make a sale or it isn't worth the space it takes up on the shelf.

"We like it," he says of the trend, "but we don't want it overdone."

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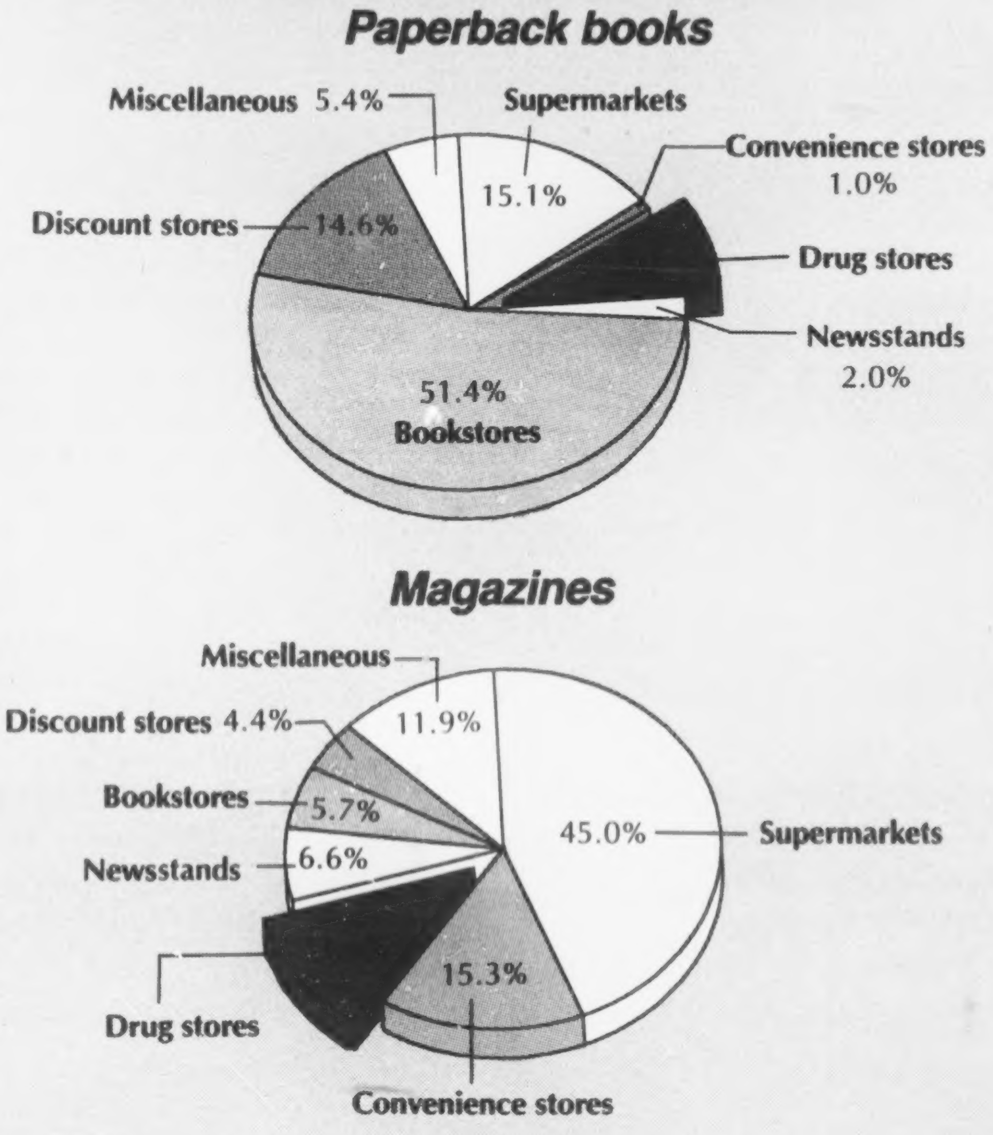
Chains read books, mags for turns, margins, loyalty



Market share of magazine and paperback sales, by outlet

Source: Periodicals Institute survey of wholesalers

No one disputes the fact that the magazine and paperback book business has undergone fundamental changes. In the magazine industry, once-dominant titles have suffered big drops in ad revenues and newsstand sales, and some have folded or been merged. Niche marketing and the decline of general-interest magazines has unleashed a flood of new titles—all vying for precious display space in the mass retail setting.

Book publishers, meanwhile, have been hit with a wave of mergers and takeovers. Distribution channels have proliferated as drug stores, supermarkets and discounters have pushed more aggressively into the book business. Unit sales in paperbacks are actually down, though revenues are up. The level of retail returns has climbed as high as 50 to 60 percent, according to reports.

All the turmoil masks the fact that books and magazines remain a predictable source of revenue for drug chains, generating quick turns, respectable gross margins and a degree of customer loyalty. In addition, the retail display allowances for magazine titles and guaranteed return policy for paperbacks and magazines takes much of the risk out of the business for retailers.

The books and magazines section in this Walgreens takes a high-visibility approach with its central location near the front of the store, stimulating impulse purchases.

This Arbor unit features a strong presentation of best-selling paperbacks, with a close adjacency to the pharmacy department.

Magazines: niches and declining ad revenues

Turmoil in the magazine industry has gotten plenty of media attention in recent months. The market has become more and more segmented, with publishers aiming hundreds of new titles at very specific audiences with very specific interests. Last year, a record 584 new magazine titles entered the market, according to the Periodicals Institute, swelling the newsstand total to more than 2,800 magazines.

"The distribution channel is going to have to develop much more sophisticated information systems in how they review the performance of titles, and they're going to have to stock more efficiently," said Robert Cohn, vp-circulation for the Magazine Publishers of America, an industry group.

"Sell-through efficiencies are going down, and costs are going up," he continued.

"We've had a record number of new titles introduced in the last two years, and desktop publishing had something to do with it," added John Fitzmorris of the Periodicals Institute.

Meanwhile, general-interest and top-selling titles audited by ABC, the Audit Bureau of Circulation, have been hit with declining single-copy sales and a tougher fight for ad dollars as new titles have exploded.

According to the Publishers Information Bureau, ABC magazine ad revenues fell more than 3 percent for the first half of the year. And the Magazine Publishers of America have reported dramatic declines in single-copy sales of some of the nation's top magazine titles.

Nevertheless, industry representatives see good news behind the bad. "The top 30 or 40 titles are suffering, but the balance are not," said Fitzmorris. "Overall, both unit sales and ad revenues are up."

"Dollars and unit sales are still significantly higher than five years ago," added Cohn.

Industry advocates argue that only a small percentage of titles, about 400, are audited by the ABC. "The fact is that while sales of ABC titles have declined from 91 million copies in 1980 to 80 million in 1989, overall newsstand sales and dollars, audited and unaudited, have reported record gains," noted the Periodicals Institute in a report.

Indeed, total magazine revenues advanced 7.5 percent last year, to $3.67 billion, on relatively flat unit growth. The business will be built on "new products targeted to the special interest of consumers," the Periodicals Institute argues, and retailers should allocate enough display space for at least 800 titles "demographically targeted to store and shopper type."

One drug chain giving greater attention to magazines is Rite Aid, which is reportedly adding 40 to 50 titles in some stores. The extra space is coming from the area formerly reserved for video rentals, a business Rite Aid exited earlier this year.

Books getting more attention from chains

The book market has also been complicated by product proliferation and increasing retail competition. According to The Book Industry Study Group (BISG), "the pressure of too much product competing for limited rack space will continue to influence the industry to reduce offerings and control the heavy returns which contribute to projected flat sales in the next five years."

Paperback unit sales were down 2.1 pecent last year, according to the Periodicals Institute, but rising prices kept revenues edging upward. Paperbacks brought in $2.4 billion last year, with drug stores accounting for about 8 percent of the take. *(See chart.)*

Publishers have high hopes for the book industry's future, thanks to factors like the aging of baby boomers, the growing demand for more reading in schools and improved marketing efficiencies by the industry. The BISG predicts overall unit growth of 3.1 percent annually over the next five years, with price increases continuing to outpace inflation. Children's books should remain a strong growth area, the association predicts.

The low risks, high margins and customer satisfaction that books offer have drawn increased attention from drug and supermarket chains. Drug chains like Walgreens and Revco have boosted their book departments, with hardcover sections in larger stores. Among supermarket chains, Kroger and Vons have enhanced their selections with full-blown reading departments where space permits.

Off-price drug chains like Phar-Mor and Drug Emporium have also jumped into the business.

Magazines and books eke out gains in 1989

Mass market sales of publications

(In millions)

	1989	1988	Percentage gain or loss
Magazines			
Dollars	$3,665.7	$3,409.0	7.5%
Units	2,320.6	2,281.9	1.7%
Paperback books			
Dollars	$2,369.0	$2,329.9	1.7%
Units	533.2	544.7	(2.1%)
Total			
Dollars	$6,034.7	$5,738.9	5.2%
Units	2,853.8	2,826.6	0.1%

Source: Periodicals Institute, Audit Bureau of Circulation and International Periodicals Distributors Association.

Candy is the predominant checkstand item at Rite Aid, which devotes 80 percent to 90 percent of space around checkout to single bars, gum, mints and Slim Jims. The remaining checkstand merchandise includes racked cigarettes and imported items such as toy cars and games.

Who's "very involved" in checkstand decisions

(Percentage who said position is "very involved" in checkout merchandising).

	HQ respondents	Store-level respondents
Vp-merchandising	64%	50%
Buyer (specific product area)	43	8
General merchandise manager	36	3
Vp-purchasing	29	25
Assistant store manager	29	8
Vp-operations	21	17
Store manager	21	50
Vp-marketing	21	33
District/regional manager	21	17
Merchandise manager	21	8
Executive vp	7	8
President	—	25
Other	7	8

Source: 1990 *Drug Store News* Checkstand Study

Retailers refining checkstand approaches

Potential returns are high as chain drug execs and store managers strive to make customers' last impressions impulsively profitable

Most profitable product categories at checkstand area

	Products regularly available at checkstand	1st most profitable	2nd most profitable
Candy/gum	64%	36%	14%
Batteries	57	36	7
Cigarettes	50	14	7
Lip balm	50	7	7
Film	43	—	7
Magazines	57	—	14
Cig. lighters	36	14	7
Razor blades	29	—	7

Source: 1990 *Drug Store News* Checkstand Study

By Susan Ball

When retailers consider how to merchandise their checkstands, many elements affect individual approaches. Format, the store's size, the customer base, store-versus-headquarters involvement in checkstand merchandising decisions, and the desired shopping environment all influence decisions on this high-stakes turf.

Not surprisingly, headquarters and store-level respondents to *Drug Store News*' latest Checkstand Merchandising Study unanimously cited impulse purchase potential as very important in choosing products for the checkout area.

Checkstand has become one of the most refined areas of the store, both for its ability to perform and the lasting impression it leaves customers as they exit.

From George Jeffers' point of view at the helm of deep-discount Price Less in California, the checkstand area must be spacious and convenient to ensure "nothing slows down checkout." He deliberately shuns items that require a decision by the customer, because making decisions takes time.

Whether an item will sell on impulse is one of Price Less's three criteria for checkout merchandise, along with universal appeal and seasonality.

"Impulse means an instantaneous decision; spot it, buy it," said Jeffers, mentioning snacks and confections, such as Caramel Crunch, microwave popcorn, snack crackers and candy, as great impulse items.

He cited batteries as an example of items appealing to everyone, from kindergardeners for toys to octogenarians for hearing aids; clear tape and light bulbs also hold universal appeal. And all three, while popular year-round, are particularly sought at certain times of year. Blank tapes, Jeffers added, are verging on having universal appeal.

Other good checkout items for Price Less are lip balm and all kinds of plastic and cardboard storage and organizing containers.

Among survey respondents, candy (which usually encompasses gum and mints) is still the favorite checkstand-area item. Sixty-two percent listed candy as one of the three products, if they could choose only three, that they would have at checkstands all year long; 36 percent ranked it high in profitability, tied with batteries.

Checkstand favorites

(Combined HQ and store-level responses)

Candy	.62%
Batteries	.39
Gum/mints	.39
Cigarettes	.27
Magazines	.27
Lip balm	.23
Film	.19
Trial sizes	.15
Pocket tissues	.12
Snacks	8

Source: 1990 *Drug Store News* Checkstand Study

Rite Aid's Gerry Cardinale, vp-merchandising, said candy, which his department planograms, makes up 80 percent to 90 percent of checkstand items and noted that single bars rather than multipacks are sold at checkout. "The key is impulse, to generate incremental sales, and candy is an impulse, pickup item, along with gum, mints and Slim Jims," he added.

The remaining space is given over to cigarette merchandise racks, imports such as miniature cars and games, and occasionally blank tapes on promotion, as well as seasonal items. Rite Aid keeps film, tobacco, batteries, condoms and razor blades behind checkout, for security reasons.

Two out of three planogram checkouts

Many chains, especially larger ones, keep a tight rein on what is merchandised in the critical checkstand area. Indeed, nearly two-thirds of respondents said they planogram it.

Snyder's Drug, based in Minneapolis, planograms checkstands and about 70 percent of corporate-store endcaps. The chain prefers to keep the checkout counters clear; if anything is put there—and it would be just one item, determined by the merchandising department—it must be a fast-turn, high-gross product and usually have some seasonality, such as candy or lip balms, said vp-merchandising Phil Perkins.

Checkstand endcaps, also planned at headquarters, generally offer seasonal candy or a high-margin item featured in Snyder's ads, with the power wings devoted to high-velocity magazines such as *TV Guide, National Enquirer* and women's magazines such as *Family Circle*.

While Rite Aid merchandises such items as snacks and seasonals in the "surge" area—the expanse between the front checkout and the gondolas—Snyder's generally keeps it wide open, for the same reason it hasn't allowed floorstands storewide for a couple of years: Snyder's research found customers like a clean, uncluttered store and see floorstands as "roadblocks."

Perry Drug doesn't planogram the checkout area, but vp-merchandising Steve Lund said the chain maintains a "real basic program" generally composed of candy, film, magazines and cigarettes. Like Snyder's, Perry allows few items on checkout counters, reasoning that customers need room to put their purchases down. In studying the clutter issue, Perry weighed income generation versus labor savings and found it cost efficient to free

Continued on page 38

Checkstand Survey

Seasonal favorites at checkstand

Winter	Spring	Summer	Fall
Cold remedies	Baseball cards	Charcoal	Lip balms
Lip balms	Grass seed	Air fresheners	Cough drops
Christmas items	Lip balms	Sun care products	Antifreeze
Windshield wiper solvent	Candy	Bug spray	Leaf bags
Moisturizers	Vitamins	Fishing gear	Candy
Diarrheal OTCs	Ibuprofen	Baseball cards	Air fresheners
TV Guide	Travel sizes	Lip balms	Candy
	TV Guide	TV Guide	TV Guide
			Hunting gear
			Tissues

Source: 1990 *Drug Store News* Checkstand Study

Factors in selecting products for main checkout area

(Combined HQ, store-level responses)

	Very important	Somewhat important
Impulse purchase potential	100%	—
Broad consumer appeal	65	23%
Quick turnover	65	35
Inventory turns	46	35
High gross margin	39	54
Sales per square foot	23	35
Reduced theft risk	15	31
Display allowances	15	54
Items of excellent value	8	39
Items on sale	4	19
Availability of manufacturer-provided displays	4	46

Source: 1990 *Drug Store News* Checkstand Study

Continued from page 37

cashiers of impediments to serving customers, Lund said.

Perry locates its candy department directly opposite the main checkout area, because of its exceptional profitability, and displays film, batteries and videotapes behind checkout. Depending on the store's size, a floor display of magazines will be adjacent to checkout endcaps; in larger stores, there might be a film spinner, novelty-ice cream cooler or baked goods rack near checkout for added impulse sales.

New York-based Duane Reade, on the other hand, "doesn't have the luxury" of having a lot of space for checkstand merchandise, said president Eli Cohen. With stores in the 4,000- to 5,000-square-foot range, "We have to make use of every available space," said Cohen. Thus, size and efficient packaging figure importantly in Duane Reade's checkstand selections, along with impulse sales potential.

> *'All you have to do is move the stuff out. I'd rather have* nothing *at checkout than something that doesn't sell.'*

The chain opts for quick items, things the customer isn't really looking for, such as pocket tissues, "three-fer" candies, lip balm and cigarettes, and turns are monitored on a weekly basis. Endcaps facing the front display seasonal items, such as suntan lotions or small appliances, Cohen said.

A small chain's priorities can also differ around the checkstand. Gemmel Drug, which operates 14 drug stores and three home health care stores in California, gives its store-level people greater autonomy than would most large chains and sees this as an asset. Moreover, some stores were acquired, so that there's no standard store size as a constant.

Products respondents added to checkout for the first time this past year

Videotapes
Stickers
Teenage Mutant Ninja Turtle items
Snack cookies
Motor oil
OTCs: Imodium, CoAdvil, Motrin, ointment (eucalyptus)
Wine
Baby applesauce
Batteries
Book rack
Anti-plaque items

Source: 1990 *Drug Store News* Checkstand Study

Tailoring to market

In addition, Jim Schulz, Gemmel's general merchandise manager, pointed out that the socioeconomic makeup of the neighborhoods Gemmel serves affects how checkouts are merchandised. For example, a store in a less affluent neighborhood may offer candy multipacks (five or 10 for $1), while units in more upscale areas might feature fragrance specials or the 10 paperback best-sellers at checkout. Always near checkout are film, audiotapes ("a good niche for the smaller retailer," Schulz said) and photofinishing. A few stores are trying magazines, with the publisher supplying racks and retail display allowances (RDAs) for placement near checkout. "With the RDA, that becomes profitable," Schulz commented.

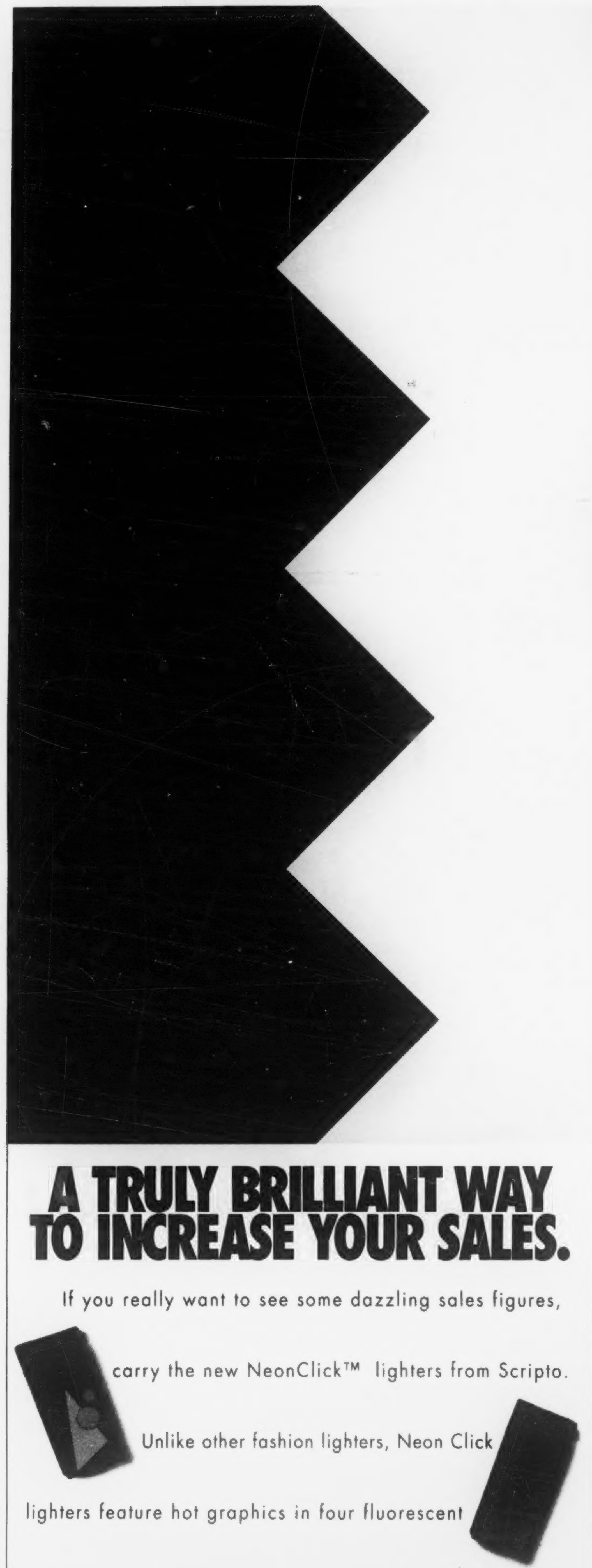
Schulz cited one store manager particularly successful with checkstand merchandise as using a run of merchandise as the divider between two parallel checkout areas. The items, including things like candy, beer and soda, change constantly, Schulz said.

Jeffers of Price Less also allows store managers and their assistants to make checkstand decisions. "If they make mistakes, they're correctable," he observed. "All you have to do is move the stuff out. I'd rather have *nothing* at checkout than something that doesn't sell."

Survey respondents rated candy/gum, cigarette and magazine racks as very effective display fixtures in the checkout area, with countertop displays, dump bins and vendor floor displays considered somewhat less effective.

Rite Aid uses wire or plastic checkout racks, slanted for gravity feed, and often sets out imports in their original containers.

Price Less maintains dump bins of lip balm near checkout year round and puts out whole pallets of batteries in a variety of multipacks (Cs, Ds, etc.) Jeffers also praised 3M's floorstand tape displays.



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Former Revco units will boost Perry earnings: Robinson

PONTIAC, Mich. — Perry Drug Stores is looking for a big boost in sales and earnings as it consolidates 40 former Revco drug stores in Michigan and continues its store renovation program.

Perry chairman and ceo Jack Robinson told financial analysts the company was looking for sales of $720 million to $730 million next year, following the incorporation of 35 of the Revco units purchased earlier this year and the closing of the remaining five.

Speaking to about 75 analysts, stock brokers and portfolio managers in Detroit in July, Robinson also predicted that Perry's profits would rise more quickly than sales in fiscal 1991. In addition, he said, "we are hopeful that we will be able to reinstate dividends in about a year."

Perry earned $7.1 million on sales of $670 million in fiscal 1989, and earnings momentum is still showing evidence of a successful turnaround after two years of losses in fiscal 1987 and 1988. Since the end of its last fiscal year in October, 1989, it has added four new stores and closed or sold 10 drug stores in Wisconsin, Chicago, Michigan and Indiana. In May, the company also sold its A. L. Price deep-discount drug store division to former F&M and Revco D.S. president Bill Edwards.

Perry plans to open another four to six units this year, and accelerate its expansion plans to 20 stores a year. The chain opened its 14th store within the Detroit city limits July 25 to considerable fanfare, bringing total store count to 206 units in Michigan and 23 in the greater Chicago area.

With its improving earnings picture, Perry is attracting more attention from Wall Street. Merrill Lynch analyst Fran Blechman Bernstein in July raised her investment rating for Perry from "neutral" to "above average."

"The earnings growth outlook for Perry has been accelerated by the recent acquisition of 40 stores from Revco, and by the disposition of its deep discount drug store division and the closing of unprofitable stores," Bernstein wrote in a July 19 report. "Although the turnaround of Perry Drug Stores has taken longer than expected. . . accelerated growth is now [a] prospect."

Bernstein estimates that Perry's earnings could increase 20 percent or more annually over the next three to five years.

Net, sales up at Imasco

MONTRÉAL — Improved performance at the Shoppers Drug Mart division helped Imasco increase net earnings and revenues for the second quarter and six months ended June 30.

Imasco's net earnings for the quarter increased 2 percent to $92.0 million (Canadian), reflecting a contribution from discontinued Peoples operations. Earnings from continuing operations increased $400,000 to $89.9 million. Net earnings for the six months increased 10 percent to $158.6 million; continuing operations earnings for the period climbed 8 percent, to $155.1 million.

Second-quarter sales were up 16 percent to $3.8 billion; the six-month sales figure was up 15 percent to $7.3 billion. Peoples Drug Stores revenues were excluded for both periods in Imasco's report.

At Shoppers Drug Mart, strong sales boosted quarterly earnings 22 percent to $34.2 million, with six-month figures climbing 25 percent to $17.4 million.

MARKET DIARY:

Largest Dollar Gainer	Pfizer Inc.	$ 3.00
Largest Dollar Loser	Eli Lilly Co.	$− 9.00
Largest Percentage Gainer	Taro-Vit Industries	66.67%
Largest Percentage Loser	Ketchum	−28.57%

Advances	5
Declines	50
Unchanged	2
New highs	25
New lows	5

	Close 7/10/90	Close 8/7/90	Net Change	Percent Change
Drug Store News Index				
Dow Jones Industrial Average	2890.84	2710.64	−180.20	−6.23
Standard & Poor's 500-Stock Index	356.49	334.83	−21.66	−6.08
N.Y.S.E. Composite	194.76	183.45	−11.31	−5.81
Value Line Index	244.07	221.77	−22.30	−9.14

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 7/10/90	Closing Price 8/7/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Arbor Drugs	ARBR	19.75	18.00	−1.75	−8.86	16	0.16	0.89	23.25	16.25
OTC	Big B	BIGB	10.13	9.63	−0.50	−4.94	39	0.16	1.66	15.25	8.75
OTC	Drug Emporium	DEMP	10.13	8.63	−1.50	−14.81	13	0.10	1.16	14.75	6.25
NYS	Fay's Inc.	FAY	10.00	8.13	−1.88	−18.75	12	0.20	2.46	14.25	7.75
ASE	Genovese Drug	GDX.A	8.13	7.50	−0.63	−7.69	18	0.24	3.20	11.75	7.25
OTC	Leroy Pharmacies (H)	LERY	7.50	7.50	0.00	0.00	−250	0.00	0.00	7.56	2.88
NYS	Longs Drug Stores	LDG	42.75	37.50	−5.25	−12.28	12	1.04	2.77	48.50	36.75
OTC	Medicine Shoppe (H)	MSII	24.13	22.50	−1.63	−6.74	21	0.24	1.07	26.75	17.75
NYS	Perry Drug	PDS	9.13	8.63	−0.50	−5.48	15	0.00	0.00	12.75	7.00
NYS	Rite Aid Corp.	RAD	34.00	31.63	−2.38	−6.99	16	0.88	2.78	41.13	29.50
NYS	Walgreen Co. (H)	WAG	50.38	45.75	−4.63	−9.18	17	0.80	1.75	53.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	27.63	24.00	−3.63	−13.12	14	0.40	1.67	29.63	20.50
OTC	Bindley Western Ind.	BIND	13.75	11.25	−2.50	−18.18	16	0.04	0.36	14.25	8.25
OTC	Cardinal Distribution (H)	CDIC	27.50	26.75	−0.75	−2.73	20	0.08	0.30	29.75	19.50
OTC	Durr-Fillauer (H)	DUFM	24.75	24.63	−0.13	−0.51	16	0.28	1.14	27.00	18.50
ASE	Ketchum	KCH	2.63	1.88	−0.75	−28.57	−1	0.00	0.00	5.25	1.63
NYS	McKesson Corp.	MCK	34.88	32.38	−2.50	−7.17	14	1.60	4.94	39.75	31.75
ASE	Moore Medical	MMD	6.13	5.50	−0.63	−10.20	−8	0.00	0.00	15.13	5.25
NYS	Owens & Minor (H)	OMI	13.88	12.63	−1.25	−9.01	21	0.24	1.90	14.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs (H)	ABT	42.75	39.75	−3.00	−7.02	19	0.84	2.11	45.63	30.38
NYS	American Home Products (L)	AHP	52.00	45.50	−6.50	−12.50	12	2.12	4.66	55.13	45.50
NYS	Baxter International (H)	BAX	24.75	24.25	−0.50	−2.02	−59	0.64	2.64	27.50	20.50
OTC	Block Drugs Co. (L)	BLOCA	34.75	32.75	−2.00	−5.76	12	0.68	2.08	38.00	32.50
ASE	Bolar Pharmaceutical	BLR	6.00	4.63	−1.38	−22.92	13	0.04	0.86	26.88	3.50
NYS	Bristol-Myers Squibb (H)	BMY	63.13	60.13	−3.00	−4.75	36	2.12	3.53	65.88	47.63
NYS	Carter-Wallace	CAR	56.25	50.13	−6.13	−10.89	15	0.92	1.84	60.50	47.50
ASE	Columbia Labs	COB	9.88	9.00	−0.88	−8.86	−9	0.00	0.00	19.63	7.38
ASE	Forest Labs (H)	FRX	46.75	41.00	−5.75	−12.30	26	0.00	0.00	48.38	33.63
ASE	Halsey Drug (H)	HDG	2.50	3.31	0.81	32.52	55	0.00	0.00	6.94	3.31
NYS	ICN Pharmaceutical	ICN	3.50	3.00	−0.50	−14.29	0	0.00	0.00	6.50	2.50
ASE	Lee Pharmaceutical	LPH	2.25	1.88	−0.38	−16.67	−7	0.00	0.00	3.50	1.50
ASE	P. Leiner Nutrition (L)	PLI	10.50	8.25	−2.25	−21.43	10	0.00	0.00	14.00	8.25
NYS	Eli Lilly Co. (H)	LLY	84.75	75.75	−9.00	−10.62	21	1.64	2.17	90.38	58.25
NYS	Marion Labs	MKC	26.88	27.00	0.13	0.47	87	0.60	2.22	36.63	21.00
NYS	Merck Co. (H)	MRK	86.38	83.00	−3.38	−3.91	20	2.24	2.70	91.13	67.00
NYS	Mylan Labs	MYL	22.63	17.88	−4.75	−20.99	22	0.20	1.12	25.38	9.63
NYS	Par Pharmaceutical	PRX	7.88	6.63	−1.25	−15.87	−10	0.00	0.00	8.25	3.88
NYS	Pfizer Inc. (H)	PFE	67.75	70.75	3.00	4.43	17	2.40	3.39	76.25	54.50
NYS	Rorer Group (H)	ROR	73.75	75.75	2.00	2.71	36	0.84	1.11	78.25	39.75
NYS	Schering Plough (H)	SGP	48.13	45.25	−2.88	−5.97	20	1.12	2.48	50.75	35.63
NYS	Syntex Corp. (H)	SYN	59.63	56.25	−3.38	−5.66	20	1.60	2.84	63.75	40.00
OTC	Taro-Vit Industries	TAROF	1.13	1.88	0.75	66.67	−27	0.00	0.00	1.88	0.88
NYS	Upjohn Co. (H)	UPJ	42.25	38.25	−4.00	−9.47	21	1.00	2.61	44.63	32.88
NYS	Warner-Lambert (H)	WLA	65.13	64.00	−1.13	−1.73	19	1.52	2.38	70.13	49.63
OTC	Zenith Labs	ZENL	7.00	7.00	0.00	0.00	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's (H)	ABS	35.50	31.63	−3.88	−10.92	21	0.48	1.52	37.63	24.38
NYS	American Stores	ASC	66.25	58.38	−7.88	−11.89	16	1.12	1.92	71.88	51.38
NYS	Giant Food	GFS.A	28.75	25.50	−3.25	−11.30	14	0.60	2.35	36.25	24.13
NYS	Great Atlantic&Pacific Tea	GAP	56.75	53.50	−3.25	−5.73	0	0.00	0.00	65.38	48.25
NYS	K mart (L)	KM	35.00	30.63	−4.38	−12.50	19	1.72	5.62	44.88	30.50
NYS	Kroger	KR	15.75	14.50	−1.25	−7.94	76	0.00	0.00	19.75	11.75
NYS	Melville Corp. (H)	MES	53.88	46.63	−7.25	−13.46	13	1.40	3.00	57.75	41.13
OTC	Fred Meyer	MEYR	17.50	14.25	−3.25	−18.57	−55	0.00	0.00	22.00	13.00
NYS	Penney, JC (L)	JCP	60.50	52.88	−7.63	−12.60	8	2.64	4.99	75.63	52.88
NYS	Safeway (H)	SWY	16.13	13.88	−2.25	−13.95	50	0.00	0.00	16.88	11.63
NYS	Smith's Food & Drug (H)	SFD	33.00	31.88	−1.13	−3.41	26	0.28	0.88	34.50	20.88
NYS	Wal-Mart (H)	WMT	33.38	28.63	−4.75	−14.23	28	0.12	0.42	36.75	18.50

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

When customers ask what they should use for cold sores, suggest
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Customer loyalty! Retailers report **90% repeat** purchase rate.
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

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DRUG STORE NEWS®

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LATE NEWS

- DEERFIELD, Ill. — Walgreen Co. has signed a pact to acquire Lee Drug, a nine-store chain centered in Nashua, N.H., and operating in New Hampshire and Massachusetts. Terms weren't disclosed. Lease locations average 9,000 square feet, and all have been opened seven years or less.

- NEW YORK — S. E. Nichols, which filed for Chapter 11 protection last month, has put about 20 of its surplus owned or leased real estate properties up for auction. Keen Realty Consultants of Great Neck, N.Y., is handling the sale. James E. Herlihy, senior vp-finance, said Nichols will continue to operate the 19 Pharmhouse deep-discount drug stores it converted from discount department stores.

FEATURES

Buyers seek sizzle in skin, sun, hair care

The latest packagings and line extensions will be on display at the Exclusively HBA trade show. Our category overviews start on **page 79.**

Drug Store News
Box 3116, Grand Central Station, New York, N.Y. 10164-0659

SECOND CLASS

Management solidifies:

Thrifty Drug toughens its act

By Elizabeth Richardson

LOS ANGELES — The management restructure continues at Thrifty Corp., where changes at its drug store level will be tied to more critical looks at the chain's long-term strategies and more aggressive marketing efforts.

See related articles on page 101

The company's long-term strategy plan will be spearheaded by senior vp Kenneth Crosby, former senior vp-buying, who will work with a consulting firm to determine the correct direction for Thrifty's growth.

"They will look at the overall vision of the company, and distinguish our market niche in both areas [drug store and sporting goods]," Chris Bement, senior vp-industrial relations told *Drug Store News*. President and chief operations officer Dan Seigel and Bement will also have voice in the process, along with newly named senior vps Robert LaFerriere and John Greer.

> *'We've never had a marketing department as such—different departments did a little bit of everything to contribute.'*
> — **Chris Bement,** sr. vp

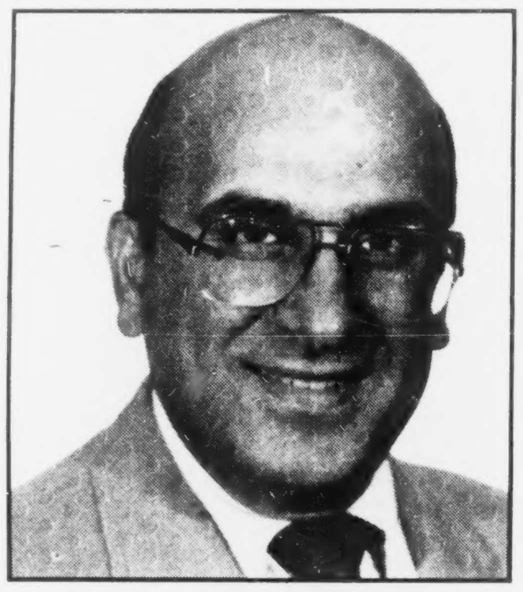
The company will also establish a marketing department under the direction of John Onestinghel, executive vp and general manager of Thrifty Drug Stores. A search is currently under way for an executive, who would report to Onestinghel, to head the marketing department, which will receive more priority at the company, Bement said.

"We've never had a marketing department as such—different departments did a little bit of everything to contribute," he said. The department will work in conjunction with decisions made about market niche and overall strategy to help Thrifty project the best image possible, Bement added.

The company has yet to name a replacement for Herbert Zarrow, former vp-pharmacy, who resigned in August. Thrifty's pharmacy thrust will focus on improving margins, Bement said. While the overall strategy of the pharmacy division will not change, he stated that the company will be taking a closer look at the third party problem, and is looking for a replacement who has a strong sense of the issues involved.

Other management changes include the promotion of Richard Hammill as director of advertising and Donald Wiswell, Willard Kotler and John Dempsey as regional pharmacy administrators. New assistant vps are James Toney, Robert Barry and David Chaney.

Top spot at Hook Drug to Mesalam



Russell Mesalam
"performing admirably"

INDIANAPOLIS — Russell Mesalam, as expected, was promoted to president of Hook-SupeRx, Inc.'s Hook Drug division, HSI chairman Philip Beekman announced.

Mesalam had stepped into the role of acting president this summer after the sudden death in April of former president Thomas Cunningham. Although Mesalam hadn't formally been named acting president, sources said that he was performing admirably in leading the 368-store division's budget-making and planning

See **Mesalam,** *page 101*

Chains testing 'micro' photo lab

By David Vaczek

SANTA MONICA, Calif. — A minilab less than half the size of the smallest previous models is bidding to rekindle drug chains' interest in one-hour photo processing.

The machine—which at 5.4 square feet can sit on a table—is sold by Print Technology in its PHOTOGO franchise program. PHOTOGO was launched this year with the aggressive goal of 5,000 retail installations by year's end.

SPECIAL MERCHANDISING REPORT

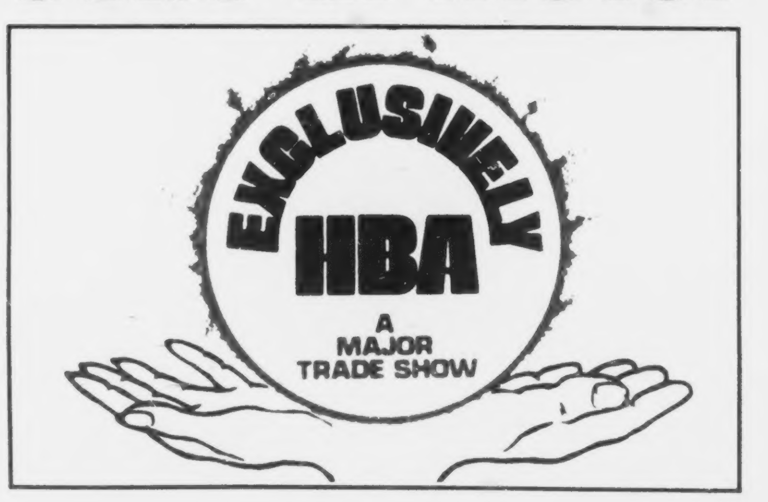
F&M, Perry, Walgreens, Drug Emporium, Revco, Pay Less NW and Publix, the Florida supermarket chain, have all started

See **Minilab,** *page 101*

First Exclusively HBA show revs at Cobo in Motor City

DETROIT — At press time, more than 250 exhibitors and 700 buyers and chain executives were assembling at this month's Exclusively HBA trade show at the Cobo Convention Center here.

Attendees have been lured to the show, the first devoted exclusively to the health and beauty aids industry, by the chance to see a broad cross-section of new items, while exploring sales trends that cut across multiple trade classes, particularly drug, mass merchandise and food stores.



The Exclusively HBA trade show's logo. Attendees will see a broad cross-section of items, while exploring sales trends that cut across trade classes, in show's debut.

Dennis Wozniak, vp-purchasing for Arbor Drug, says the show is important because it's new and deals with H&BAs, "a very significant part of our business. It gives us a chance to talk with vendors we don't always see, to learn about new items earlier than we might otherwise, and discuss ways we can tie our 1991 promotional programs in with various vendors."

The show's producer is Exclusively HBA Inc., a Chicago-based company formed by Turnbull Enterprises, a corporate meeting and planning organization.

Jay Spaulding, one of the cofounders of Exclusively HBA, says that the show is designed to give today's "new generation" of retailers and suppliers "more efficient and direct ways to do business with one another."

Spaulding points out that until now there has not been a show where "hundreds of HBA suppliers can assemble, as a total industry in one place, to present their products, promotional resources, future plans, and their top management to all of their trade customer markets. The Exclusively HBA show fills that void."

NEWS IN BRIEF

Brock lands Drug Emporium gm post

WORTHINGTON, Ohio — Bill Brock, most recently with the SupeRx division of Hook-SupeRx, Inc., has been named director of general merchandise at Drug Emporium.

Brock is responsible for merchandising all departments except H&BAs, and reports to Rich Landers, vp- merchandising and marketing.

Brock had been sundries merchandiser at 350-store SupeRx. He began his career in 1967 with Osco Drugs, where he rose through the ranks to become a district manager.

Revco gets further extensions

TWINSBURG, Ohio — U. S. Bankruptcy Court in Akron, Ohio has again extended the deadlines under which Revco D.S. has exclusive rights to file and obtain approval for a plan of reorganization. The court gave Revco until Oct. 26 to file such a plan, and until Jan. 24, 1991 to gain acceptance for the plan from its creditors.

In other news, Revco has signed Olympic gold medal gymnast Mary Lou Retton to an exclusive contract as corporate spokesperson. Retton, who parlayed her 1984 Olympic triumph into a series of lucrative endorsement packages in the mid-1980s, will appear in print and television advertising and make promotional appearances on behalf of Revco.

Retton is not new to the company. In the spring, she made appearances at Revco Health and Beauty Expos in Cleveland and Charlotte, N.C., and will be featured at future expos.

Growth spurs Reliable to move HQ

INDIANAPOLIS — Reliable Drug Stores, Inc.'s recent acquisition of over 200 former Revco units has led it to move to a more spacious corporate office here, the company announced.

The 25,000-square-foot facility is located at 10401 N. Meridian St., Suite 400, Indianapolis, Ind. 46290; (317) 580-0800 is the telephone number.

"The new office facility will house 150 employees, and offers additional space for growth," said Tony Montini, senior vp-purchasing and merchandising.

McKesson service idea winners to sail

SAN FRANCISCO — Two of McKesson's Valu-Rite pharmacies have won a Caribbean cruise for two of their customer service ideas.

Winners of Valu-Rite's "Best Customer Service Idea" contest are Paige Clark of Parsons Canby Pharmacy, Canby, Ore., and Stephen Morton of Morton Drug Co., Neenah, Wis.

Clark developed several customer education programs, such as for expectant mothers and diabetics, and also created a poison-prevention show for local grade schools.

Morton holds an annual senior citizens night the first Saturday in December and provides seniors with refreshments, door prizes, a place to socialize and extra discounts on store merchandise.

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Shealy, new Eckerd vp, is loss prevention maven

By David Vaczek

CLEARWATER, Fla. — Eckerd Drug has named Lewis Shealy, former loss prevention chief at the Marshall Field company, as vp-loss prevention. Shealy is reputed in the security industry for his aggressive programs at the Chicago-based department store chain.

Shealy is likely to develop at Eckerd a more centralized security department, which would play down the regional security managers' accountability to regional operating vps, security industry sources predicted. "My guess is, he'll want the [regional] people reporting to him," said one.

Security directors sometimes have dotted line responsibility for setting policies and standards for security managers to follow in the field. On a day-to-day basis, though, they report to the regional vice presidents, several loss prevention officers said. Eckerd declined to specify its plans for the department.

Shealy will join Mickey Carter, who has built a strong loss prevention program at Eckerd over the past five years. Carter will be director of technical operations.

"It's going to be an awesome combination," said one security industry source.

Shealy named Operation Alert as an initial project in a prepared statement. It is a pilot program to promote education and awareness of store associates, plus merchandising, operations and audit staff, involving 200 "opportunity stores."

Go out and catch 'em

Shealy was described at Marshall Field as a "go-out-and-catch-'em type of guy." He emphasized internal theft prevention, and used closed circuit television systems and radio-guided store patrols, said one security professional.

A recent "20/20" television program showed Marshall Field's "Trojan Horse," wherein a security officer is concealed in a one-way-mirrored column through which he can observe shoppers. The column can be moved to critical store areas.

While some techniques used in the department stores might not be suitable for the drug store environment, others would be.

One Eckerd program it seems likely Shealy will retain is civil recovery. Carter has built an in-house program operating in five states, that has reportedly been successful. In states with civil recovery laws, the retailer can often bypass the court system and send letters asking for restitution from persons caught shoplifting.

Marshall Field has historically enjoyed a 90 percent recovery rate on letters sent to offenders in its civil recovery program, Shealy was quoted as saying in a security industry newsletter in 1988.

Carter, an Eckerd pharmacist, was enlisted to build the loss prevention program after Eckerd did its leveraged buyout. Security professionals praise his efforts, which besides civil recovery, have included an emphasis on electronic article surveillance.

"Mickey has been sharp and innovative, though he's had no specific background in security. He's probably learned more in two years than a lot of people learn in 20," said one.

One area in which Eckerd has looked for experience and in which Shealy will contribute is in distribution center security, which requires a different approach from the stores, one source said.

Kerry Carney, director of analysis and control, remains as another member of the loss prevention department.

American fined in advertising suit

LOS ANGELES — American Drug Stores has agreed to pay $110,000 in penalties and costs to settle false advertising claims, filed by the Los Angeles County district attorney's office, against its Sav-on Drug Stores division. The agreement puts to rest a lawsuit alleging that the chain failed to charge customers the advertised price on sale items.

Deputy district attorney Richard Healy of the office's Consumer Protection Division said American had also agreed to a five-year injunction against false advertising, any violation of which could incur huge penalties. Healy called American "helpful and cooperative" in its response to the suit.

The case stemmed from an investigation that began July 1989, when county agents visited 14 Sav-on stores in the Los Angeles area and bought sale items at random. In 13 of the 14 stores, they were charged a higher-than-advertised price on one or more items.

In agreeing to settle the case, American denied any deliberate attempt to misprice the items and blamed employee error and "lack of communication" for the problem. Sav-on is currently installing computerized checkstand terminals, which should help eliminate pricing errors by checkers.

Sav-on operates in one of the nation's toughest regulatory environments, in terms of consumer interests. In the past three years, both K mart and Thrifty Corp. have also paid hefty penalties in southern California and Los Angeles County to settle claims of overcharging for advertised items.

HSI sales, net up for 3rd quarter

CINCINNATI — Although growing third-party sales eroded pharmacy margins, Hook-SupeRx Inc. gained positive cash flow and net income for the third quarter and nine months ended May 31, it reported to the Securities and Exchange Commission.

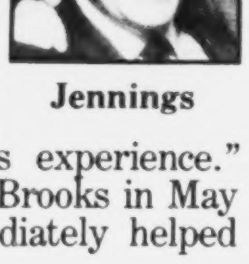
With 1,078 drug stores, up from 1,046 stores a year earlier, pharmacy sales for the nine months accounted for 42.8 percent of total sales, up from 41.3 percent the year before.

HSI posted sales of $467.6 million in the third quarter, up 8.9 percent; nine-month sales were $1.39 billion, up 7.5 percent from the comparable period a year ago.

Cash from operations for the nine months was $22.3 million, down from $25.7 million last year. Net income for nine months rose to $2.76 million from $1.57 million a year ago.

Brooks' Jennings named to *DrSN* board

NEW YORK — John Jennings, vice president-marketing at Brooks Drug, Inc., has been appointed to *Drug Store News*' Board of Advisors.



Jennings

Originally a controller at CVS, Jennings joined Conair as vp-operations in 1985, a move he has described as "a logical rounding out of my consumer goods experience." He then joined Brooks in May 1986 and immediately helped sharpen the marketing focus of what had been the old Adams Drug chain.

Known in the industry for his friendly, engaging way with people, Jennings brought to Brooks a merchant's sense of customer relations; his efforts there are largely credited for the chain's successful repositioning as a strong, customer-friendly operation.

As a member of the *Drug Store News* Board of Advisors, Jennings will help guide the newspaper's editorial staff on thorough coverage and analysis of industry news.

OPINION

SDM steps up its promotional pace

IN THE MARKET
BRUCE BUCKLEY

For the participants the weather couldn't have been better: overcast and chilly, with a threat of rain in the air. For the spectators, it was something else, but nobody seemed to mind, not the thousands who lined the streets nor the enthusiastic crowd in Varsity Stadium.

The event: the 12th running of the Toronto Marathon, this year renamed the Shoppers Drug Mart Toronto Marathon. A year ago, Canada's leading drug chain took on the challenge of breathing new life into the race. Under its previous sponsor, Wang Computers, the marathon had developed a serious stitch in the side and, in fact, was cancelled in 1989.

With his highly sensitive promotional antenna, David Bloom, SDM's chairman and ceo, offered to take on the race. It seemed like an ideal tie-in to the health and fitness image Shoppers strives to maintain. Indeed, SDM stores sponsor some 1,500 youth teams across the country in sports as diverse as baseball and hockey, soccer and ringette (a hockey-like game for girls).

The team sponsorships represent one side of what Shoppers Drug Mart is about: a decentralized chain of stores with strong roots in their communities. The Toronto Marathon represents the other side: A highly disciplined, promotional powerhouse with electricity radiating coast to coast from its source in Toronto. SDM name recognition in Canada rivals that of even the best known U.S drug chains in their own country. Sponsoring the Marathon in Canada's leading city (and committing $450,000 of the $800,000 the event cost) is an investment in keeping SDM a household name.

Shoppers' stamp on the event showed in other ways. A big chunk of the money raised went to Toronto's world-famous Sick Children's Hospital. SDM happens to be one of the foremost proponents of the idea that being a "good corporate citizen" is good business. Murray Koffler, the chain's founder, brought the concept of reinvesting in the community to a high art, and David Bloom and his team remain strongly committed.

President Herb Binder and ceo David Bloom cheer runners.

Like the sports teams sponsored by individual stores across the country, this giving back to the community mainly takes place at local level. One store, for example, helped to raise money for a specialized piece of fire protection equipment in the wake of a child's tragic death in a blaze.

This year's marathon had some bugs. Newspapers the next day criticized television coverage, which failed to keep up with the progress of the race. But considering that this was essentially an inaugural event, the marathon came off remarkably well. About 4,000 athletes from around the world competed in events ranging from the marathon itself, to a 10K race, to a corporate team relay race sponsored by Kodak Copier. Millions watched the race on television.

Next year's race should be even better, as SDM builds on this year's experience. Shoppers has committed itself to a five-year sponsorship, and given the energy level of its corporate team, the marathon should become, by the time of the 1996 Olympics in Toronto, one of the world's premier races.

The winners of this year's events? All Canadians. The top man and woman marathoners both broke records for the Toronto race. The other big winner of course was Shoppers Drug Mart itself.

Sometimes it pays to shut your mouth

THE HUMAN SIDE
AL HELLER

Service never goes out of style. But in delivering service, even well-meaning pharmacists, store managers and clerks can run afoul of proper etiquette when curiosity drives them beyond politeness.

Consider the nun from the next town who came to a drug store for her birth control pills. The pharmacist unknowingly asked if she was taking them back to the Catholic school a few miles away, for which he had never before filled a script. She said "no, they are for me."

He then *had* to ask, under the pretense of counseling, "are you taking them to keep you regular?" She said "yes," paid for her pills and left.

At another drug store some time ago, condoms and cigarettes were behind the counter and had to be requested by consumers. A man discreetly asked for a certain brand of condom, and the teenage female clerk didn't recognize the name.

To the amusement of other clerks within earshot, she grabbed a book of matches and eyeballed the carton display. After searching half a minute, she yelled out to her co-workers: "Trojans. Are they filter tip or regular?"

The customer mumbled something unintelligible and left the store.

Then there was the 30-year-old man who bought Fleet Enemas six at a time during his weekly visits to the drug store.

After noticing this pattern for at least a month, the pharmacist piped up when the customer plunked his six on the counter. "Are these for you," he asked, "because if you have a problem, this frequency isn't recommended."

The man explained he was administering these to his dog, who did indeed have a problem.

Another pharmacist met up with another dog lover, when he refused to fill the birth control prescription for a woman who had already gone through the six refills allowed by the doctor.

The woman, who appeared past the age of use, had to endure the pharmacist telling her she had to speak to the doctor before he could dispense any more medication.

"I can't," she replied. "He's a veterinarian. I'm giving these to my dog."

Kudos to the store manager who handled this situation:

On Halloween night, a customer in a Donald Duck costume hopped into the drug store to buy ChapStick. He had inadvertently left his wallet in his car and had no money to pay.

"That's OK," said the store manager. "I'll put it on your bill."

-The six-foot-tall duck happened to be a local police officer and a regular shopper in the store.

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Package size trends impact H&BA display planning

PRODUCT TRACKING
ALAN MILLER

Package size is an important line extension variable in planning shelf displays, and failure to include items which are in high demand or are increasing in their share of the product mix can result in lost sales. In some of the 14 categories we measured, a high proportion of retail sales volume is concentrated in just one or two sizes; in others, many different size alternatives must be considered when deciding on an optimum product mix.

In the hair spray category, for example, there are only three broad size groups, and more than half of the category volume is contributed by items in the size range of 7.1 ounces to 10.0 ounces. Among shampoos, on the other hand, there are 10 different ranges of product size, although nearly half of the sales are in packages ranging in content from 14.0 ounces to 16.9 ounces. This size group is also exhibiting important growth, and dollar sales during the year ended June 15, 1990 were 15.6 percent higher than during the corresponding year ago period. The high volume hair spray size group has shrunk 4.9 percent over the year, and the second most popular size group, 7 ounces and under, has gained in share from 37.8 percent to 40.6 percent, representing a volume increase of 4.9 percent.

Trial sizes had important dollar gains among both shampoos and hair conditioning rinses, with increases measuring 29.4 percent and 74.8 percent respectively. However, their share was only 1.7 percent among shampoos and 0.4 percent in the case of hair conditioning rinses. Of the three size groups in the hair spray category, the only gain was for items 7 ounces and under, where an increase of 4.9 percent was recorded and the share of category volume rose from 37.8 percent a year ago to the current level of 40.6 percent.

Drug store sales of mouthwashes fell 3.0 percent and there were both volume and share losses in the two most important size groups: 15.1 ounces to 21.0 ounces, where the share declined from 23.1 percent to 20.2 percent and dollar volume fell 15.5 percent. Among those packages ranging from 4.1 ounces to 9.0 ounces, there was a dollar volume decline of 7.7 percent and the share moved downward nearly a point, from 19.8 percent to 18.9 percent. The mouthwash size group with the best performance was 32.1 ounces and over, where dollar volume rose 36.6 percent and the share advanced from 5.5 percent to 7.8 percent between years.

There are 10 size groups of internal analgesics and 73.2 percent of category volume is contributed by the three most important size groups: 100 count, 16-36 count and 50-99 count. The groups with the highest gain rates were at opposite ends of the size spectrum, those under 12 count (+8.1 percent) and those 376 count and over (+8.2 percent).

All four size groups of aerosol shaving creams had reduced volume between 52-week periods. The highest loss rates were from the least important size groups: 0.1 ounces - 4.9 ounces (−30.6 percent) and 13.6 ounces and over (−99.3 percent).

Finally, in the hand and body cream and lotion category, total sales increased 0.9 percent and this gain came as a result of an 11.3-percent increase in the size group, 10.0 ounces - 14.9 ounces, which accounts for 23.5 percent of category sales in drug stores. In this category, three of the six size groups are nearly equal in importance. The other two with shares of just over 23 percent were those 6.1 ounces to 9.9 ounces, and those 15.0 ounces to 23.9 ounces. A dollar sales loss of 13.5 percent was recorded in the 2.0 ounces and less group.

Importance of package size for hair conditioning rinses in drug stores

(52 weeks ended June 15, 1990 vs. year ago)

Size	Year ago share	Current share	Share point change	Dollar % change vs. year ago
14.0 - 16.9 oz.	37.6%	42.3%	+04.7%	+20.8%
4.0 oz. & under	21.8	21.3	-00.5	+04.6
6.1 - 9.9 oz.	22.7	18.3	-04.4	-13.0
10.0 - 12.0 oz.	10.0	10.4	+00.4	+11.1
4.1 - 6.0 oz.	4.0	4.1	+00.1	+09.6
28.0 oz. & over	1.2	1.4	+00.2	+18.8
Asst. displays	0.8	0.6	-00.2	-14.6
17.0 - 19.9 oz.	0.7	0.6	-00.1	-12.4
20.0 - 27.9 oz.	0.7	0.5	-00.2	-23.0
Trial size	0.3	0.4	+00.1	+74.8

Source: Arbitron/SAMI

Importance of package size for internal analgesics in drug stores

(52 weeks ended June 15, 1990 vs. year ago)

Size	Year ago share	Current share	Share point change	Dollar % change vs. year ago
100 count	30.1%	29.1%	-01.0%	-05.1%
16 - 36 count	22.1	22.1	00.0	-02.2
50 - 99 count	22.2	22.0	-00.2	-03.0
200 - 299 count	7.3	7.9	+00.6	+06.1
Liquid	6.8	6.8	00.0	-01.4
101 - 199 count	5.3	5.7	+00.4	+04.8
0 - 12 count	2.1	2.3	+00.2	+08.1
37 - 49 count	2.1	2.2	+00.1	+01.3
376 count & over	0.9	1.0	+00.1	+08.2
300 - 375 count	1.0	0.8	-00.2	-19.5

Source: Arbitron/SAMI

Importance of package size for hand & body creams/lotions in drug stores

(52 weeks ended June 15, 1990 vs. year ago)

Size	Year ago share	Current share	Share point change	Dollar % change vs. year ago
10.0 - 14.9 oz.	21.3%	23.5%	+02.2%	+11.3%
6.1 - 9.9 oz.	23.5	23.4	-00.1	+00.5
15.0 - 23.9 oz.	23.6	23.2	-00.4	-00.9
2.1 - 6.0 oz.	22.8	22.7	-00.1	+00.5
2.0 oz. & less	7.9	6.8	-01.1	-13.5
24.0 oz. & over	1.0	0.5	-00.5	-46.5

Source: Arbitron/SAMI

Importance of package size for shampoo in drug stores

(52 weeks ended June 15, 1990 vs. year ago)

Size	Year ago share	Current share	Share point change	Dollar % change vs. year ago
14.0 - 16.9 oz.	41.8%	46.5%	+04.7%	+15.6%
6.1 - 9.9 oz.	23.8	20.9	-02.9	-08.6
10.0 - 12.0 oz.	13.3	14.2	+00.9	+11.0
4.0 oz. & under	7.7	6.6	-01.1	-10.5
4.1 - 6.0 oz.	6.6	5.8	-00.8	-08.5
28.0 oz. & over	1.8	2.0	+00.2	+15.4
Trial size	1.3	1.7	+00.4	+29.4
17.0 - 19.9 oz.	3.1	1.5	-01.6	-49.5
20.0 - 27.9 oz.	0.5	0.7	+00.2	+44.1
12.1 - 13.9 oz.	---	0.1	+00.1	+ + + + +

Source: Arbitron/SAMI

Importance of package size for toothpaste and powder in drug stores

(52 weeks ended June 15, 1990 vs. year ago)

Size	Year ago share	Current share	Share point change	Dollar % change vs. year ago
5.1 - 7.0 oz.	35.4%	37.1%	+01.7%	+ 07.0%
3.4 - 5.0 oz.	33.6	33.0	-00.6	+ 00.1
2.3 - 3.3 oz.	13.3	13.0	-00.3	00.0
7.1 oz. & over	11.9	11.1	-00.8	- 05.1
1.1 - 1.8 oz.	3.4	2.8	-00.6	- 15.4
1.0 oz. & under	1.0	1.8	+00.8	+ 87.2
1.9 - 2.2 oz.	1.3	1.2	-00.1	- 11.6
Asst'd. displays	---	0.1	+00.1	+238.4

Source: Arbitron/SAMI

Importance of package size for mouthwash in drug stores

(52 weeks ended June 15, 1990 vs. year ago)

Size	Year ago share	Current share	Share point change	Dollar % change vs. year ago
15.1 - 21.0 oz.	23.1%	20.2%	-02.9%	-15.5%
4.1 - 9.0 oz.	19.8	18.9	-00.9	-07.7
24.1 - 32.0 oz.	18.2	18.5	+00.3	-00.9
21.1 - 24.0 oz.	15.1	16.5	+01.4	+05.8
9.1 - 15.0 oz.	10.8	10.9	+00.1	-02.2
32.1 oz. & over	5.5	7.8	+02.3	+36.6
3.0 - 4.0 oz.	4.0	3.6	-00.4	-11.0
0.1 - 2.9 oz.	3.4	3.6	+00.2	+02.4

Source: Arbitron/SAMI

Importance of package size for hair spray in drug stores

(52 weeks ended June 15, 1990 vs. year ago)

Size	Year ago share	Current share	Share point change	Dollar % change vs. year ago
7.1 - 10.0 oz.	51.6%	50.2%	-01.4%	-04.9%
7 oz. & under	37.8	40.6	+02.8	+04.9
10.1 oz. & over	10.6	9.3	-01.3	-14.7

Source: Arbitron/SAMI

Drug chains profit from skin care excitement

Skin care sales have been very good for most chain drug stores this year, and most buyers see this category—as well as the related segments of sun and bath—as offering above-average growth opportunities in the year to come.

"We're expecting increases of 25 percent to 30 percent," said one person in charge of toiletries for a major drug chain, "and that will be primarily due to Plenitude and Olay, and everything they've got going."

Although space is tight for this chain—as it is with most traditional drug chains—their management wants to expand skin and bath because the categories' growth potential.

Right now the chain is testing a separate skin care set in select stores and is trying to find a way to bring bath, face, and hand and body together in one organized set.

The chain feels that at least 30 feet is required to do justice to the set as well as to make a dramatic presentation. The preferred location for the department is in cosmetics.

The chain hopes it will have enough information from its current test to expand skin care in its 1991 planogram.

The skin care center now being tested has light boxes and glass shelves. The effect, said our source, is so unusually glamorous for a chain drug store that there is some fear it might intimidate certain customers.

This chain is also trying to organize the skin care categories more by type of product to make it easier for customers to shop for skin care and bath items.

Although this chain wants their skin care department to have an upscale look, they want to achieve this in a compact, space-efficient manner, with a concept that gets as much product on display as possible.

For this reason, this source particularly appreciates the new Olay fixtures from P&G. Shaped like kiosks, she says they hold a lot of product and they look good.

Everyday
$4.99
Low Price
$7.49

As sales skyrocket in skin care (up more than 20 percent at some chains), many operators are aggressively advertising the category. Walgreens uses shelf talkers to create a positive low everyday price image.

Trends in skin care product category sales

(Total sales, in millions of dollars, and percentage change*)

	1988**		1989**		1990***	
	Sales	% change	Sales	% change	Sales	% change
Bath products	$ 177.3	13.2%	$ 177.7	0.3%	$ 63.7	3.7%
Depilatories	42.6	6.6	41.1	(3.4)	70.7	0.3
Face lotions/creams	426.6	15.2	491.1	15.1	184.9	14.2
Hand/body lotions	437.3	12.1	474.4	8.5	179.9	6.3
Chapped lip preps	57.6	3.0	56.3	(2.4)	21.0	1.2
Sun tan lotion/oils	284.9	20.3	305.4	7.2	68.3	4.2
Baby lotions	29.6	12.4	29.1	(1.8)	9.5	(3.3)
Baby oils	62.7	13.4	57.2	(8.8)	18.4	(3.3)
Total skin care	1,518.7	14.0	1,632.4	7.5	556.5	7.3

*All drug and food outlets. Mass merchandise store estimates are not available.
**For the full year ending in December
*** For the four-month period ended April 1990.

Source: Nielsen Marketing Research

Skin care market share trends*

(Dollar sales, food vs. drug stores)

	1988**		1989**		1990***	
	Food	Drug	Food	Drug	Food	Drug
Bath products	39.7%	60.3%	37.7%	62.3%	36.7%	63.3%
Depilatories	30.3	69.7	29.9	70.1	27.5	72.5
Facial lotions/creams	29.5	70.5	29.8	70.2	29.0	71.0
Hand/body lotions	45.7	54.3	46.0	54.0	46.7	53.3
Chapped lip preps	46.5	53.5	45.8	54.2	48.2	51.8
Sun tan lotion/oils	32.8	67.2	34.0	65.2	30.8	69.2
Baby lotions	59.1	40.9	58.2	41.8	58.0	42.0
Baby oils	58.9	41.1	58.5	41.5	58.7	41.3
Total skin care	38.4	61.6	38.4	61.6	38.0	62.0

*All drug and food outlets. Mass merchandise store estimates are not available.
**For the full year ending in December
***For the four-month period ended April 1990.

Source: Nielsen Marketing Research

Arbor reaps benefits from expanded space

At Arbor Drug in Detroit, the growth in skin care is "paralleling" the chain's overall sales growth, which this year is in double-digits, according to vp-purchasing Dennis Wozniak.

Arbor expanded space for skin by two or three feet last year when L'Oréal launched Plenitude, and depending on space, skin care now gets between 16 and 24 feet in an average store.

The planogram also includes space for the bath category, including cosmetic lines like Jean Naté and Vitabath, as well as toiletry lines like VIC and Jergens, bubble baths, and an assortment of year-round sun care items.

Arbor reviews each department at least quarterly to decide if a category is worth expanding or needs to be cut back.

Douglas Drug deals with space crunch

Douglas Drug in Rhode Island merchandises all skin care, off-season sun and bath care products together in one 28-foot set. Buyer Steve Dubin says he would like to give the category more space because it deserves it, but at this point there's no room to expand. And because there is no room to cross-merchandise, Dubin isn't planning to develop a skin care center.

He just revised his planogram to work Plenitude into the set, and he's also brought in Olay's new cleansers.

Dubin says he would like to see more vendors develop dis-

Continued on page 80

Total skin care sales, by class of trade, with share of sales and percentage change

(Dollar figures in millions*)

	Food	Drug
1988**	$583.8	$934.9
% change	12.6%	14.9%
Share of sales	38.4%	61.6%
1989**	$626.5	$1,005.9
% change	7.3%	7.6%
Share of sales	38.4%	61.6%
1990***	$211.3	$345.2
% change	6.3%	8.0%
Share of sales	38.0%	62.0%

*All drug and food outlets. Mass merchandise store estimates are not available.
**For the full year ending in December
***For the four-month period ended April 1990.

Source: Nielsen Marketing Research

FINANCIAL

Pretax earnings continue climb for 8th straight quarter at Perry

PONTIAC, Mich. — Perry Drug Stores, Inc. reported that its third quarter, ended July 31, was its eighth consecutive quarter showing improved pretax earnings: at $924,000, an 8-percent increase over the previous year's period.

Net earnings, at $724,000 for the period, reflect a $200,000 income tax charge not assessed in the previous year's period. The earnings were achieved on revenues of $159 million, compared with last year's $164 million figure.

Revenues declined due to the closing or sale of unprofitable units, according to Jack A. Robinson, chairman and ceo. The third quarter saw Perry sell its 14 A.L. Price deep-discount units as the chain tightened its strategic focus on traditional drug store operations.

Nine-month figures also included a tax provision, unlike last year, so net earnings declined from $5.8 million to $4.4 million. Revenues declined from $507 million to $497 million.

Helping revenues, Robinson said, were comparable pharmacy sales, up 17 percent for the quarter and 13 percent for the nine months.

Fay's sales, net set second-quarter records

LIVERPOOL, N.Y. — Record net earnings of $3.2 million, on record revenues of $162.3 million, were posted by Fay's, Inc. for its second quarter ended July 28.

The figures compare with last year's $3.0 million in net earnings on $139.8 million in revenues.

For the first six months of the year, Fay's net earnings were $4.1 million, allowing for a $574,000 charge associated with the repurchase of corporate debt. Six-month net earnings the previous year were $4.4 million. Six-month revenues were up 16.5 percent, to $315.5 million.

Second-quarter net doubled at Genovese

MELVILLE, N.Y. — Genovese Drug Stores doubled its net income, from $397,000 to $795,000, for the second quarter ended Aug. 17, on sales of $96.9 million, a 6.3-percent gain over the comparable quarter last year.

First-half net income was up 22 percent, to $1.9 million (including $238,000 from a gain on the sale of two stores), on sales of $225.4 million, a 10.3-percent gain.

Genovese plans to open two new stores before the year's end. The 93-store chain is in the process of refurbishing 24 stores and has enlarged two existing stores, including doubling the size of its Williston Park, N. Y., store.

Costs have Big B seeing red in 2nd qtr.

BESSEMER, Ala. — High operating costs and debt payments arising from its acquisition of the former Reed Drug stores helped drag Big B into the red in the second quarter.

The chain lost $3.3 million for the period on sales of $101.2 million, compared with net earnings of $1.2 million and revenues of $89.5 million the previous year.

Net, sales up at Safeway for 2nd qtr.

OAKLAND, Calif. — Safeway, Inc. saw net income climb from $7.7 million to $23.6 million for the second quarter ended June 16, on a 5.0-percent hike in sales, to $3.4 billion.

For the six-month period, net income rose from last year's $16.4 million to $38.6 million, with sales up 4.2 percent, to $6.8 billion.

Other indicators showed improvement as well. Operating profit for the quarter climbed 25 percent to $132.3 million, 3.85 percent of sales. Operating cash flow continued to improve, and interest expenses declined, as the $120 million realized from last April's initial public offering reduced borrowing needs.

Sales and earnings climb for O&M

RICHMOND, Va. — Owens & Minor, Inc. reported increased sales and earnings for the second quarter ended June 30, respectively due to the National Healthcare acquisition and a charge levied during the previous year's quarter.

Sales increased 37.5 percent to $300.7 million, reflecting two months' sales contribution from National Healthcare, company officials said. Earnings were $2.0 million, up from last year's $5,000, when a $1.4 million pretax charge was assessed from devaluing foreign latex glove inventories.

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MARKET DIARY:

Largest Dollar Gainer	American Stores	$ 4.50
Largest Dollar Loser	Melville Corp.	$ − 5.13
Largest Percentage Gainer	Bolar Pharmaceutical	21.88%
Largest Percentage Loser	Big B	−18.84%

Advances	31
Declines	23
Unchanged	3
New highs	0
New lows	7

	Close 8/28/90	Close 9/10/90	Net Change	Percent Change
Dow Jones Industrial Average	2614.85	2615.59	0.74	0.03
Standard & Poor's 500-Stock Index	321.34	321.63	0.29	0.09
N.Y.S.E. Composite	176.26	176.70	0.44	0.25
Value Line Index	208.75	208.54	− 0.21	−0.10

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 8/28/90	Closing Price 9/10/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	7.00	7.00	0.00	0.00	−233	0.00	0.00	7.56	2.88
OTC	Arbor Drugs	ARBR	17.00	16.88	−0.13	− 0.74	15	0.16	0.95	23.25	16.25
OTC	Big B (L)	BIGB	8.63	7.00	−1.63	−18.84	− 19	0.16	2.29	15.13	6.75
OTC	Drug Emporium	DEMP	8.75	8.38	−0.38	− 4.29	13	0.10	1.19	14.50	6.25
NYS	Fay's Inc.	FAY	8.38	8.50	0.13	1.49	12	0.20	2.35	14.13	7.50
ASE	Genovese Drug (L)	GDX.A	7.00	7.00	0.00	0.00	15	0.24	3.43	11.75	6.63
NYS	Longs Drug Stores	LDG	35.00	35.13	0.13	0.36	11	1.04	2.96	48.50	33.50
OTC	Medicine Shoppe	MSII	24.13	23.00	−1.13	− 4.66	22	0.24	1.04	26.75	17.75
NYS	Perry Drug	PDS	7.88	8.13	0.25	3.17	15	0.00	0.00	11.25	6.75
NYS	Rite Aid Corp.	RAD	32.00	33.38	1.38	4.30	17	0.88	2.64	41.13	29.50
NYS	Walgreen Co.	WAG	45.75	45.63	−0.13	− 0.27	17	0.80	1.75	53.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	23.50	23.00	−0.50	− 2.13	13	0.40	1.74	29.63	20.50
OTC	Bindley Western Ind.	BIND	11.13	12.00	0.88	7.87	17	0.04	0.33	14.25	8.50
OTC	Cardinal Distribution	CDIC	24.50	26.00	1.50	6.12	20	0.08	0.31	29.75	19.63
OTC	Durr-Fillauer	DUFM	23.75	24.50	0.75	3.16	16	0.28	1.14	27.00	19.38
ASE	Ketchum	KCH	1.63	1.88	0.25	15.38	− 1	0.00	0.00	5.13	1.63
NYS	McKesson Corp. (L)	MCK	31.00	32.38	1.38	4.44	14	1.60	4.94	39.25	30.38
ASE	Moore Medical (L)	MMD	5.13	5.00	−0.13	− 2.44	− 7	0.00	0.00	14.88	4.88
NYS	Owens & Minor	OMI	11.88	12.13	0.25	2.11	20	0.24	1.98	14.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	40.25	40.50	0.25	0.62	20	0.84	2.07	45.63	30.63
NYS	American Home Products	AHP	45.75	47.50	1.75	3.83	13	2.12	4.46	55.13	43.00
NYS	Baxter International	BAX	23.63	24.00	0.38	1.59	− 59	0.64	2.67	27.50	20.50
OTC	Block Drugs Co.	BLOCA	33.00	32.25	−0.75	− 2.27	12	0.68	2.11	38.00	31.75
ASE	Bolar Pharmaceutical	BLR	4.00	4.88	0.88	21.88	− 29	0.04	0.82	22.63	3.50
NYS	Bristol-Myers Squibb	BMY	59.38	60.13	0.75	1.26	36	2.12	3.53	65.88	49.00
NYS	Carter-Wallace (L)	CAR	47.75	45.88	−1.88	− 3.93	14	0.92	2.01	60.50	45.13
ASE	Columbia Labs	COB	8.88	8.63	−0.25	− 2.82	− 7	0.00	0.00	17.88	7.38
ASE	Forest Labs	FRX	41.13	43.38	2.25	5.47	27	0.00	0.00	48.38	33.63
ASE	Halsey Drug	HDG	2.88	3.13	0.25	8.70	104	0.00	0.00	6.94	2.13
NYS	ICN Pharmaceutical	ICN	3.38	3.13	−0.25	− 7.41	0	0.00	0.00	6.50	2.50
ASE	Lee Pharmaceutical	LPH	1.50	1.63	0.13	8.33	− 6	0.00	0.00	3.25	1.38
ASE	Leiner P. Nutrition	PLI	8.00	8.63	0.63	7.81	11	0.00	0.00	14.00	7.50
NYS	Lilly Eli Co.	LLY	73.50	75.25	1.75	2.38	21	1.64	2.18	90.38	58.25
NYS	Marion Labs	MKC	30.75	31.00	0.25	0.81	100	0.80	2.58	36.00	21.00
NYS	Merck Co.	MRK	80.88	81.00	0.13	0.15	20	2.24	2.77	91.13	67.00
NYS	Mylan Labs	MYL	17.00	19.38	2.38	13.97	23	0.20	1.03	25.38	13.75
NYS	Par Pharmaceutical	PRX	5.75	5.63	−0.13	− 2.17	− 6	0.00	0.00	8.25	4.75
NYS	Pfizer Inc.	PFE	70.00	71.00	1.00	1.43	17	2.40	3.38	76.25	54.50
NYS	Rorer Group	ROR	75.75	75.75	0.00	0.00	36	0.84	1.11	78.25	39.75
NYS	Schering Plough	SGP	45.38	46.00	0.63	1.38	20	1.12	2.43	50.75	35.63
NYS	Syntex Corp.	SYN	56.63	57.38	0.75	1.32	19	1.60	2.79	63.75	40.00
OTC	Taro-Vit Industries	TAROF	1.88	2.00	0.13	6.67	− 29	0.00	0.00	2.00	0.88
NYS	Upjohn Co.	UPJ	37.75	37.50	−0.25	− 0.66	20	1.00	2.67	44.63	32.88
NYS	Warner-Lambert	WLA	61.38	62.88	1.50	2.44	19	1.52	2.42	70.13	49.63
OTC	Zenith Labs	ZENL	6.50	6.25	−0.25	− 3.85	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	32.75	32.38	−0.38	− 1.15	21	0.48	1.48	37.63	24.38
NYS	American Stores	ASC	60.25	64.75	4.50	7.47	16	1.12	1.73	71.50	51.38
NYS	Giant Food	GFS.A	24.50	25.00	0.50	2.04	13	0.60	2.40	32.38	23.38
NYS	Great Atlantic&Pacific Tea	GAP	50.88	50.75	−0.13	− 0.25	0	0.00	0.00	65.38	48.25
NYS	K mart (L)	KM	28.50	26.00	−2.50	− 8.77	16	1.72	6.62	42.38	26.00
NYS	Kroger	KR	14.13	14.38	0.25	1.77	76	0.00	0.00	19.50	11.75
NYS	Melville Corp. (L)	MES	45.63	40.50	−5.13	−11.23	11	1.40	3.46	57.75	40.00
OTC	Fred Meyer	MEYR	14.00	13.75	−0.25	− 1.79	− 53	0.00	0.00	22.00	12.50
NYS	Penney, JC	JCP	47.88	45.50	−2.38	− 4.96	7	2.64	5.80	75.63	43.50
NYS	Safeway	SWY	14.13	14.00	−0.13	− 0.88	50	0.00	0.00	16.88	11.63
NYS	Smith's Food & Drug	SFD	29.25	29.00	−0.25	− 0.85	24	0.28	0.97	34.50	20.88
NYS	Wal-Mart	WMT	28.88	27.00	−1.88	− 6.49	25	0.12	0.44	36.75	18.50

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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Wal-Mart flexes muscles in Rx

By James Frederick

BENTONVILLE, Ark. — If you're an independent druggist, or a chain pharmacy operator, you're either watching Wal-Mart Stores over your shoulder or you're living in New England or the Pacific Northwest. Those happen to be about the only parts of the country Wal-Mart hasn't yet invaded.

Inside Pharmacy
SPECIAL REPORT

"Invade" may not be a strong enough word for what this aggressive retail powerhouse is doing in market after market around the country. Indeed, even if you are operating in the far corners of the U.S., in one of the handful of states not yet touched by Wal-Mart, it is probably a good idea to take a good look at the company. Chances are, you'll be seeing them sooner or later.

There's no retailer of any kind quite like Wal-Mart. Its discount store business has redefined general merchandise and mass market retailing in the past decade. In the process, the company has chewed up reams of business that used to go to older, established discount

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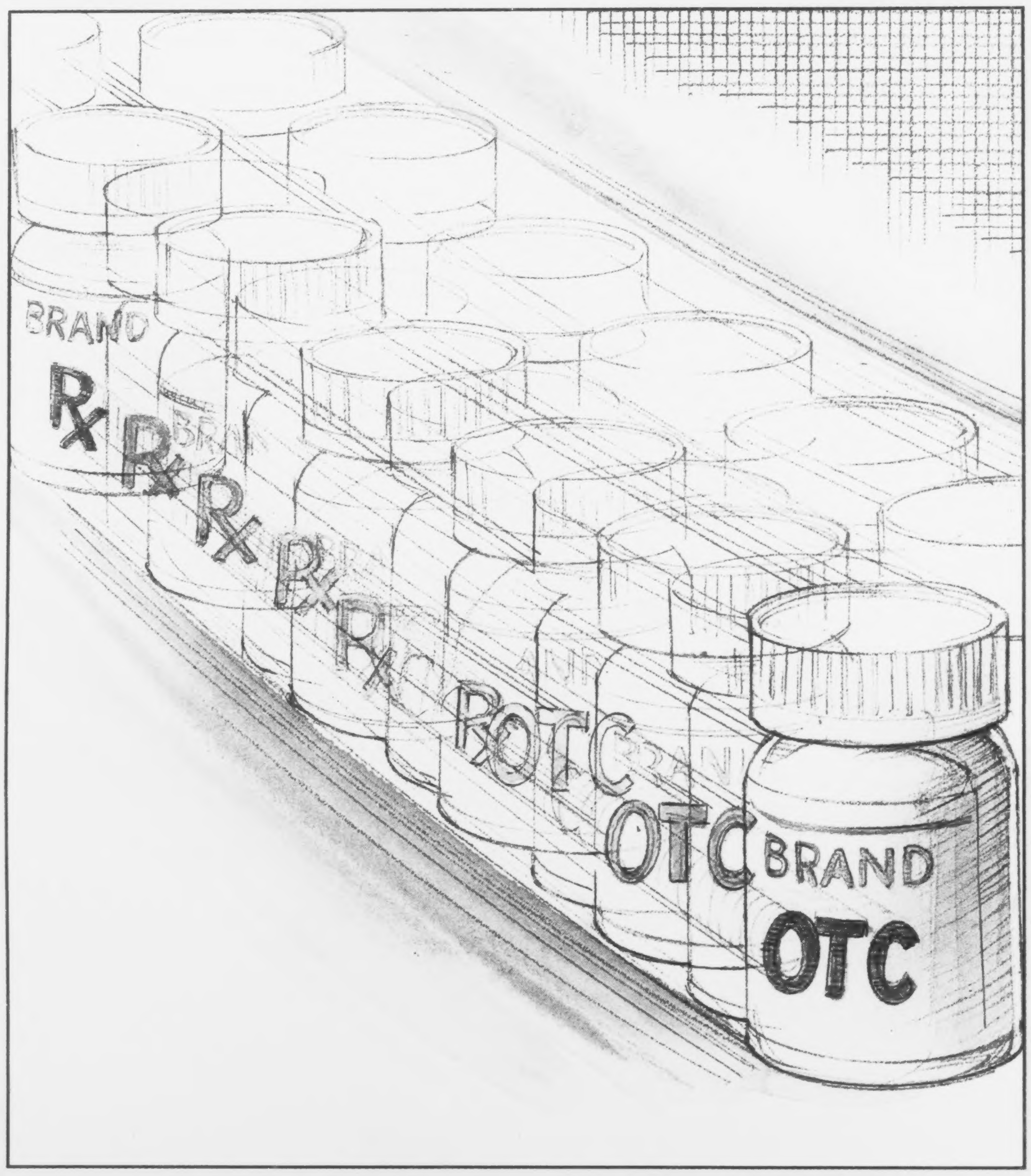

Rx to OTC switches: A double-edged sword?

By Elizabeth Richardson

NEW YORK — Over the next decade, dozens of medicines could be switched from prescription to over-the-counter status. While the switching process almost always spells instant sales successes for the products involved, many pharmacists believe it to be a double-edged sword.

"The biggest advantage [of Rx to OTC switches], of course, is the counseling associated with them," said Mike Salquist, director of pharmacy operations at K mart. "It's great at building the confidence factor with the public and is a basic point to opening up lines of communication."

Continued on page IP11

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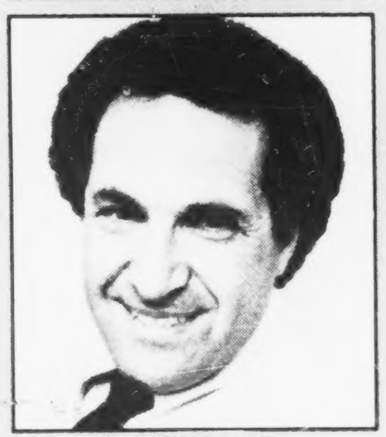
Vol. 5, No. 10 September 24, 1990

Rx'ers juggle professionalism, business

For as long as my career in pharmacy spans, some 25 years, retail pharmacists have tried to answer the same question over and over: Is it possible to mix the business of running a drug store with the professionalism expected of a registered pharmacist? The answer I always give is a definitive "maybe."

It is a complicated question, and one that has been given considerable thought by pharmacists, academicians and consumers over the years. I think if you polled most retail pharmacists today, the answer would be "yes." But when push comes to shove, do they really mean it? I'm not sure.

The question of professionalism has been handled easily by scores of colleges of pharmacy offering a Pharm.D.-only curriculum. It always seems to me their inference is that without the Pharm.D. degree in your hands upon graduation, professionalism in any pharmacy setting goes right out of the window. Does a Pharm.D. degree prepare a retail pharmacist to be any more professional in a drug store setting than a B.S.? I'm not sure.



COHEN'S CAPSULES
HAROLD COHEN

But, there is apparently no question about professionalism in the minds of consumers. Just look at the latest Gallup study. Pharmacists once again ranked as the most trusted health professional. But does being the most trusted professional mean being the most professional? I'm not sure.

I think before the question of professionalism can be argued there has to be a definition of "professionalism" on the table. Does it mean coming to work in a shirt and tie and a white jacket? Does it mean being available to answer consumers' questions in a timely manner with intelligible answers? Does it mean accepting prescriptions that have to be compounded, even if it does take extra time? Or does it mean doing blood screenings? To me, I think it means all of them and more.

Maintaining a balance

While I believe that most pharmacists would like to practice pharmacy with the highest degree of professionalism, the reality is that they are still working in a business setting and the balance between professionalism and business must be maintained. To put it simply, the prescriptions still have to be filled while the questions keep coming. It is a difficult juggling act and probably the single most disturbing factor in practicing retail pharmacy today.

The question of professionalism is once again under the spotlight when Sandoz Pharmaceuticals told retail pharmacists that they would not be able to handle the company's drug for schizophrenia, Clozaril. The drug requires close monitoring, the kind of monitoring that Sandoz believes cannot be done at your average retail drug store. Instead, Sandoz chose to go to a closed distribution system when it hired Caremark, a division of Baxter Labs, to do the necessary screening. Several national associations and dozens of state associations immediately came to the aid of hurt retail pharmacists by condemning Sandoz's action. While I understand retail pharmacy's point of view, I also understand Sandoz's.

A juggling act

You see, Sandoz is also doing a juggling act. There is no doubt that the company knew a closed distribution system would get the hairs of every retail pharmacist in the country standing on end. But it also knew that not every pharmacy in the country was, or is, prepared to handle the extra workload necessary in the Clozaril screening process. They needed assurances that Clozaril would be available in every geographical area of the country. It would have been a nightmare to survey every pharmacy to see if they could handle the product and the extra time it would take to properly tract blood levels, etc. From a business and professional point of view, it was just easier to let one company nationwide handle the screening process. Many pharmacists, and their associations saw the action as a black eye for pharmacists. I did not.

In fact, I'm puzzled by the ire being vented by retail pharmacists over the Clozaril issue. One just has to look at Florida for a perfect opportunity thrown away. Several years ago, when a law was passed in Florida that allowed pharmacists to dispense a very selective group of prescription drugs without a prescription, I took a trip down to the Sunshine State to see how things were progressing. I was dismayed to learn that with very few exceptions, most pharmacists were staying away from prescribing. I argued then that it was a golden professional opportunity being thrown away. My sources in Florida tell me that little has changed. The law is still on the books but not terribly effective. The reasons cited over and over again for not prescribing are the same: liability, lack of time to properly counsel patients, and extra paperwork.

I am sure there are many stores that can easily handle the requirements set forth in the Clozaril screening process. But if we really have the patients' interests at heart, this is one time I think professionalism must win over business.

My way of thinking . . .

Some two decades ago, I, along with my fellow graduating pharmacists, took the Hippocratic Oath. Although the specific words have since faded from my memory, I do remember the promise not to do anything to harm a fellow human being.

As a pharmacist or a physician, where do we draw the line of what is or is not harm? I question this because I have just returned from the funeral of a longtime customer and friend whom I'll call Sam.

Sam had the misfortune of being cursed with a bad back and had endured several episodes of surgery over the years to help eliminate his persistent pain. Unfortunately, he was never able to attain long-term relief from his affliction.

Equally unfortunate is the fact that Sam found a certain amount of relief from Darvocet N 100. But time passed, tolerance to the drug set in as did the persistent pain. Sam found that relief could only be achieved with daily doses that exceeded the recommended maximum dose.

Knowing that further surgery would probably be of little help, and perhaps in desperation, he turned to the only means that would help stop his pain and maintain a productive and meaningful life. He found new physicians who would prescribe Darvocet N 100 and was having them filled at several different pharmacies. How long this had been going on, no one knows for sure. But for him, the system was working.

Where and how did Sam meet his downfall? His insurance company signed up with a national third-party provider. He had two prescriptions filled within two days. When the second prescription for Darvocet N 100 was charged through the provider's online adjudication terminal, the system flagged it and notified the drug store submitting the claim.

As a conscientious pharmacist, I notified the two physicians and the other pharmacy of the problem that existed. None of us considered the possibility of Sam's physical or psychological addiction to the drug. Nor did any of us consider Sam's need for some sort of pain management or his need for psychological help. All we saw was that Sam was a drug abuser and reacted as such . . . by cutting him off.

Recently Sam's wife, his two young children and a large number of friends said good-bye to this very kind and likable 37-year-old man. For you see, Sam discharged a hand gun into the side of his head, taking his life. Maybe Sam killed himself because he become depressed after his doctor "had cut off his pain medication" and was running out of medication and had no place to turn, or maybe he knew that he would not be able to tolerate the pain that would inevitably return without his pain killers. Only Sam could answer these questions.

Would more empathy and compassion by those involved have prevented this tragedy? One can only speculate.

Sure Sam would have eventually destroyed his liver or kidneys on the path he was taking. But we must all understand that everyone who has a drug problem has an underlying psychological or physical problem or some combination thereof. As health care professionals, bound by the Hippocratic Oath, are we acting responsibly by "cutting off" these people without making every effort possible to see that they get some therapy?

The next time you have to deal with a patient with a substance abuse problem, and everyone is ready to "cut them off," please think of Sam, his wife, and their two children. I know I will.

Signed,
A More Compassionate Pharmacist

Editors note: *We will not print any correspondence in this space without knowledge of who the author is. The above letter was received with a cover letter identifying its author. Because of the sensitivity of the material, he asked that we not publish his name. We respected that wish.*

DRUG STORE NEWS®
INSIDE
PHARMACY
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Study says OTC buyers swayed by ads

NEW YORK — Consumer advertising may or may not make an over-the-counter product an instant sales hit, but one thing is certain: it is very important in influencing buying decisions of OTC buyers at drug chains, discount stores and supermarkets.

According to the *1990 Drug Store News/Inside Pharmacy Buyer Feedback Study*, a survey of OTC buyers at 35 major drug chains, discounters and supermarkets, consumer advertising headed the list of influences when buyers decide to stock one OTC product over another.

Buyers were asked to rate a list of services offered by most manufacturers of over-the-counter products. Nearly every buyer who answered the survey told *DrSN/IP* that consumer advertising was "very important" in their buying decisions.

Forty-one percent of those answering the question also picked consumer advertising as the single most important service in making their buying decision. A summary of services checked off by 50 percent or more of the respondents can be found in Table 1.

Table 1 ***Services considered most important to OTC buyers in making decisions on stocking existing products***

Service	% Respondents
Consumer advertising	41%
Obtaining information about new products	18
Co-op advertising	12
Information on product movement	9
Display allowances	6
Return goods policy	6
Consumer rebate program	3
Invoice dating	3
Other	2

Source: *Drug Store News/Inside Pharmacy* 1990 OTC Buyer Feedback Survey

Other items noted by the buyers included minimum quantity orders (enough to turn in 30 to 60 days), buying at net cost, the salesman's follow through on the sale and the overall price of the item. Services receiving a "very important" check mark from less than 50 percent of the respondents, in descending order, were: information on product movement (44 percent), information on market share (26 percent), planogramming information (24 percent), a consumer rebate program (21 percent), and the availability of display material (15 percent).

Almost one-quarter of the buyers surveyed said that the sale of OTC products account for 11 percent to 15 percent of the store's total dollar volume. On average, the buyers said that OTC products accounted for 21.42 percent of their total dollar annual sales.

New product intros

When it comes to making buying decisions on *new* product introductions, the survey uncovered that consumer advertising was edged out by the product's quality as being a "very important" factor. Ninety-one percent of the respondent aggregate picked product quality compared to the 82 percent that chose dollars budgeted for consumer advertising.

But when the buyers were asked to choose the *single* most important factor in choosing whether or not to take on a new product, nearly a third chose dollars budgeted for consumer advertising. (See Table 2).

Other factors that got more than 50 percent of the buyers vote as being "very important" were off-invoice allowances (chosen by 74 percent of the aggregate), uniqueness of the product and number of sku's (each receiving 62 percent), display allowances (56 percent), return goods policy (53 percent) and detailed information about the product (50 percent).

Buyers' visits

According to the survey, OTC buyers are quite satisfied with the level of service they are currently getting from their OTC product reps. Nearly three-quarters of the respondents said they see their OTC product reps once a month, and that is just fine with them. Only three percent said they wanted to see them more frequently while 15 percent said they wanted to see them less frequently. Of those buyers who answered they wanted to see their reps more or less frequently, the majority said that once every two to six months was fine with them. Nearly all the respondents (94 percent) indicated that the reps were allowed to make store visits.

Average time

The buyers reported spending anywhere from 10 minutes to one hour with representatives from OTC product manufacturers. Most of the buyers said they spend, on average, from 20 to 30 minutes with reps. None of the buyers said they spend less than 10 minutes or over an hour with any individual rep.

But regardless of how much time the buyers spend with the reps, the majority said that visits from manufacturers' reps was still the best method of receiving information about new and existing products. Nearly one-quarter of the buyers said that direct marketing was another important method of getting important information concerning their product lines.

High marks

The buyers gave the manufacturers' reps pretty high grades in when it comes to helping them identify the best products to stock. More than half (68 percent) the buyers said the reps do an "above average" or " average" job while just under a quarter of them (21 percent) said they do an "outstanding" job. Only 12 percent said they do a "below average" job and none said they do a "poor" job.

Merchandising mix

As competition for "front-end" OTC business continues to heat up in the marketplace, retailers are taking a careful look at their merchandising mix and how they promote these products.

According to the survey, almost three-quarters of the buyers said they carry most major brands and sizes available to give shoppers a broad variety of selection. Eighteen percent said they carry at least three to five brands in the major OTC categories, while only nine percent reported they carry only the number one or number two brands in a particular product category.

More than half of the respondents said their pricing strategy is to rely on sales and low promotional prices rather than low every day prices (See Table 3).

Apparently, strong competition among the three trade classes surveyed has created the need for heavy advertisement schedules of OTC products. More than half of the buyers (53 percent) said they advertise OTC products once or twice a week. Nearly a third (32 percent) said they advertise once or twice a month.

Most of that advertising is placed in newspapers and free-standing inserts (FSIs). According to the survey, 74 percent of the buyers use this method of advertisement. The remainder said they spread their advertising among radio and TV, direct mail, and in-store promotions.

Table 2 ***Services that most influence OTC buyers' decisions on new products***

Services	% Respondents
Dollars budgeted for consumer advertising	29%
Uniqueness of the product	18
Consumer requests	15
Off-invoice allowance	12
Product quality	6
Number of SKUs	3
Detailed information about the product	3
Other	6
Didn't know/Couldn't answer	9

Source: *Drug Store News/Inside Pharmacy* 1990 OTC Buyer Feedback Survey

Some of the buyers interviewed commented they are trying new methods of in-store promotions. One buyer said his chain creates customized counter units "to maximize impulse sales." Another buyer said his department is producing a yearly health newsletter that helps promote new and existing OTC product lines.

Shelf space for rent

Some buyers said they rent key shelf space to vendors. According to the survey, almost one-third of the buyers receive so-called "slotting allowances" from manufacturers' reps to merchandise their product lines in prime retail shelf space, especially end-caps. However, the majority of the buyers answering the survey (65 percent) said they do not rent shelf space. Others did not answer the question at all.

Table 3 ***OTC buyers' pricing strategies***

Strategy	% Respondents
We stay competitive with other drug stores in our market	53%
We rely on sales and low promotional prices rather than low everyday prices	35
We rely on everyday low prices with little or no advertised sales	18
We are never undersold	6
We have full service/full price orientation	3

Source: 1990 *Drug Store News/Inside Pharmacy* OTC Buyer Feedback Survey

Of the buyers who do rent shelf space, half said that less than five percent of their total shelf space is subjected to a slotting allowance. The other half said they rent out anywhere from 10 to 50 percent of their shelf space. No buyer reported charging a slotting allowance for more than 50 percent of their total OTC shelf space.

While the buyers were split on whether or not the amount of space allocated to OTC products has increased or stayed the same, only six percent said that the amount of space decreased. Of those that said the space has increased, the average percent increase came to 11.13 percent.

Suggestions

The buyers were asked to make suggestions on how OTC product manufacturer reps could help them make their buying decisions.

One buyer said to send in a rep that "understands our business and works to make his program work with ours." Another suggested that the rep not come in at all. "Just leave the deal sheet and sample," said the buyer "I'll send in the order when I've decided."

Still another said that the manufacturer should be able to track their record on past new items and the kind of follow-through that was given to the retailer. In the case of a new product intro, one buyer wants to know if the product being touted has exclusivity on the formula or whether there's a product by another company like it on the market already.

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DRUG STORE NEWS®

Vol. 12/No. 18 **Our 62nd year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. Oct. 8, 1990

LATE NEWS

- WARREN, Mich. — A. L. Price will open its first new store since the off-price chain was acquired earlier this year by Bill Edwards and other investors. It will open in early November in Madison Heights, Mich.

- MELVILLE, N. Y. — Genovese has promoted two of its executives to vice president status: Phillip Silverman is vp-distribution and David C. Reynolds is vp-photofinishing.

FEATURES

Kid power creates market niche

Or, as one southern merchandiser put it, "their whinin' is powerful!"
Pages 27–34.

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SECOND CLASS

Osco takes Skaggs under wing

By James Frederick

The merger will finally put all of American Stores' drug store operations under one corporate roof.

RICHARDSON, Texas — American Stores is folding the drug store operations of its Skaggs Alpha Beta division under the Osco wing of American Drug Stores, effective early next year. The merger will give Oak Brook, Ill.-based Osco operational and merchandising control of Skaggs, which currently runs the drug store side of 76 Skaggs Alpha Beta combo stores in Texas, Oklahoma, New Mexico and Arkansas.

American Stores also puts Acme division up for sale—see p. 69

The merger becomes effective at the beginning of fiscal 1991 next February. Thereafter, Osco will maintain a new regional office at Skaggs Alpha Beta's headquarters in Richardson, just outside Dallas.

Bill Bates will take over as regional vp in charge of the Skaggs stores when the shift goes into effect. Bates now serves as a district manager in American Drug's central region under regional vp Jon Fuglestad.

Also included in the merger with Osco is the drug store side of five new Jewel Osco combo stores in Florida. Both the Florida and Skaggs Alpha Beta divisions are under the corporate umbrella of American Food and Drug, a subsidiary company of American Stores.

Despite the shift in management, the Skaggs name will remain on the store logos for the foreseeable future, according to sources at both American Stores and its American Food and Drug subsidiary. "We're operating under the premise that it's not broke, so let's not fix it," said Ben Mazow, regional counsel and spokesman for American Food and Drug. "The Skaggs name is well-known and successful here, and there's no plan to change it to Osco at this point."

However, private label products will soon adopt the

See **Osco,** *page 69*

Ziegler speaks out

WASHINGTON — NACDS president Ron Ziegler was one of several industry executives who recently testified before the House Health Subcommittee urging Congress to reform the Medicaid program. Among their suggestions: having manufacturers negotiate prices with the program and pass some of the savings on to pharmacists in their reimbursement levels. ***(See story on p. 65)***

Retailers dig in as reservists head to Gulf

By Susan Ball

Reservists

MOVE OUT!

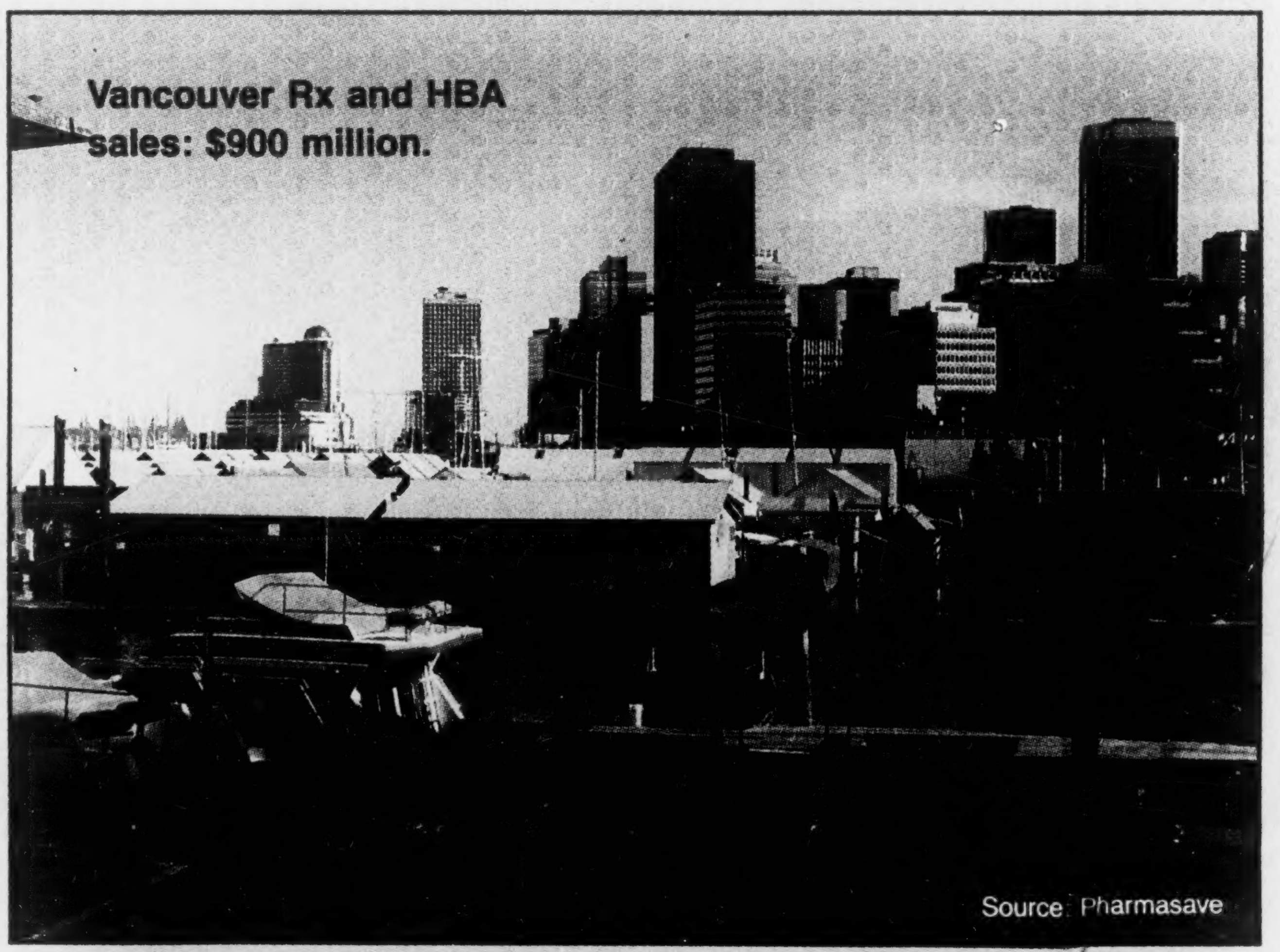
NEW YORK — As more military reservists get called to active duty because of the Persian Gulf crisis, drug store chains are digging out their policy manuals to see what they should do in case any "weekend warriors" among their employees are put on active status.

Some chains have revised their policies to fit the current situation, others are following the basic military leave of absence policy covered under Federal law, and some are waiting until they're confronted with a specific case before deciding what to do.

In an informal poll of more than a dozen large chains, *Drug Store News* found that at least two companies, Jack Eckerd Corp. and American Stores Co., have policies that go well beyond what the law requires.

Eckerd said it will make up the pay differential between the employee's military pay and his or her Eckerd salary while on active duty, in addition to meeting "all of its responsibilities" for military reserve employees who have been with the company one or

See **Chains,** *page 69*



Source: Pharmasave

Vancouver a hornet's nest of discounting

VANCOUVER, B.C. — This postcard-perfect Northwestern city has more than a few things going for it. Its mild climate, both winter and summer, is tempered by moderating ocean currents. Its downtown is a gleaming arc of skyscrapers that straddle a swatch of land surrounded on all sides by sparkling bays, beaches and forest-carpeted mountains so close you can see the ski slopes from downtown streets. Its population is friendly, cosmopolitan and relatively prosperous.

What's more, Vancouver's geography has made it the key port of entry into Canada for Japan, Korea, China and other Asian markets. Its Pacific Rim fortunes have, in fact, helped spur much of the construction boom going on downtown and have given the city a decidedly international character.

Those conditions helped nurture the growth and prosperity of some of

See **Vancouver,** *page 69*

NEWS IN BRIEF

CVS parent completes Peoples buy

RYE, N.Y. — Melville Corp., which operates 820-store CVS, completed the acquisition of 490-store Peoples Drug Stores from Imasco Ltd. of Montreal Sept. 17. The purchase price was $325 million in cash.

CVS sales in 1989 totaled $1.02 billion. Peoples had $1.02 billion in sales for 1989. The acquisition significantly expands Melville's drug store business into new markets, notably the Washington, D.C. metropolitan area.

CVS has said the Peoples stores will keep their name, which has wide recognition in its markets.

Imasco's chairman, president and ceo, Purdy Crawford, said Imasco will use the proceeds of the Peoples sale to reduce Imasco's debt, which will result in a stronger balance sheet and lower interest expense.

K mart unveils new logo

TROY, Mich. — K mart unveiled a redesigned logo as part of a new identity program that will tie in with a planned refurbishment of all its stores.

The new bright red logo replaces the company's old sign—a red "K" followed by the word "mart" in turquoise.

All newly built and expanded stores will have the new logo in external and internal signs and in details. Others will receive it as they are refurbished and by 1995 it will be chainwide.

The discounter is one of the most aggressive pharmacy retailers in the country, with prescription departments in over 1,250 of its 2,331 stores. It plans to put departments in all new stores and in remodels where space allows.

Arbor signs Pistons star

TROY, Mich. — All-star guard Joe Dumars of the Detroit Pistons will star in a series of TV spots for Arbor Drugs' "Picture! Picture!" photofinishing service. Dumars will be featured in four 30-second spots promoting the two-for-one print program, which generated 2.4 million orders last year.

"Photofinishing and film sales are an important traffic builder in our stores," said Arbor chairman and ceo Eugene Applebaum in making the announcement. "As a result of Picture! Picture!, Arbor photo and film sales, which have doubled in the last five years, now account for 7.4 percent of total sales, almost twice the national average for chain drug stores."

The Dumars spots will begin airing in mid-October, and eventually account for more than $1 million of commercial air time.

Perry signs three more Mich. leases

PONTIAC, Mich. — Perry Drug Stores has inked three leases for new stores in the Detroit metro and Grand Rapids areas.

Perry has opened six new drug stores, signed lease agreements for three additional sites and acquired and kept open 35 former Revco drug stores in its current fiscal year, which ends Oct. 31. In fiscal 1991, the 207-store chain is planning to open another 20 units.

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Exclusively HBA show bows; future looks promising

DETROIT — Exclusively HBA, the first trade show devoted exclusively to health and beauty aids, showed birth pangs at last month's launch. But the consensus says the show has potential and will probably improve next year in New Orleans.

According to the show's producer, Exclusively HBA, Inc., a Chicago-based company formed by Jay Spaulding and Art Turnbull, of Turnbull Enterprises, 592 buyers from 273 buying companies attended the show.

Based on the final list of registrants, *Drug Store News* estimates that one-third were distributors, including drug wholesalers McKesson and FoxMeyer, grocery wholesaler Wetterau, service merchandisers such as Ben's Wholesale and in H&BA/cosmetics, Discount Beauty Supply.

Drug chains made up 20 percent of the attendees, with Eckerd Drug represented the strongest; discount chains, wholesale clubs and hypermarkets accounted for another 20 percent, and food chains made up 10 percent.

The largest chains at the show, however, were the discounters led by Wal-Mart, which brought eight buyers to the floor; K mart, 11, and Target, nine.

Kim Maguire, the H&BA division merchandise manager for Target, said the show met his company's needs on several levels. Besides being well laid out and organized, it was the first industrywide show, he said, to bring together a broad spectrum of H&BA and cosmetic buyers, distributors and vendors under one roof.

He said that for retailers, it was an inexpensive show to work because there were no registration charges for buyers. A company could bring as many buyers as it liked without spending thousands of dollars. The show wasn't diluted by other categories, and it was relaxed, making it "easier to work."

Ron Demczak, of Warner-Lambert, phrased it this way: "You don't have to traipse over a large area, climbing over an avalanche of product that is not devoted to HBA."

Greg O'Daniel, executive vp-gm of Tempo Sanys, Inc., said that what the show may have lacked in the quantity of buyers on the floor, it more than made up for in the "quality" of buyers in attendance.

Tom Kennedy, vp-trade development for Cosmair's Cosmetic and Fragrance Division, said the show entailed some duplication, but that it has "potential."

Robert Sayre, manager of business development for K mart, explained that K mart came looking for new items and found them. "In some of the categories we carry, 30 percent to 50 percent of our business is in items introduced in the past three years," he said. "H&BA is a fashion business. We need a show where we can concentrate on what's new and exciting without being distracted by unrelated products."

Jay Spaulding said the show exceeded expectations: "Our target was to have 210 to 230 exhibitors; we wound up with 246. Our target was 50,000-square-feet of exhibit space; we had 53,000. We ended this show with 592 buyers, and we're estimating that in New Orleans, next September, we will have 1,000 buyers."

The challenge facing the show's producer for next year, however, is to find a way to make the show more "productive" for some of the bigger vendors, and some of the bigger chain drug and chain food retailers who say they found this show redundant.

Skin Cancer Foundation dinner gets kickoff

NEW YORK — Drug industry executives held a kickoff cocktail party recently for the Skin Cancer Foundation's annual benefit dinner, slated for Nov. 15 at the Marriott Marquis here. From left to right, Ronald L. Ziegler, this year's guest of honor and president of NACDS; Stewart Turley, general chairman of the 1990 benefit, and chairman and president, Jack Eckerd Corp.; Dr. Perry Robins, president, The Skin Cancer Foundation; and Eli D. Cohen, foundation secretary-treasurer, and president, Duane Reade Drug Stores.

May's off-price division on front burner

TULSA, Okla. — May's Drug Stores is expanding its deep-discount division, with plans for two new Drug Warehouse stores over the next several months.

May's held a soft opening in Claremont, Okla. for its eighth Drug Warehouse store in mid-September, a 16,300-square-foot store that is somewhat smaller than the Drug Warehouse average. A grand opening is slated for Oct. 28.

Another of the off-price stores is scheduled to open after the first of the year, according to Russ Smith, executive vp and advertising director.

The company's growth plans for the division underscore May's' success with deep discounting in northeast Oklahoma and southwest Missouri. The firm's ability to wring high sales and steady profits from the division hark back to its corporate roots as a discount retailer, said Smith.

"Drug Warehouse is a very strong, ongoing, integral part of our organization," Smith noted. "Part of the reason we've been able to make it successful is that our original background was in self-service, low-price retailing.

"Our background, and particularly [May's president] Gerry Heller's background, is very deep-discount oriented," Smith continued. "With Drug Warehouse, we now have the opportunity to go back and apply some of the things we've learned."

May's, Smith said, was an early pioneer of low-price, self-service retailing in the 1940s. It operated leased drug stores within two now-defunct local discount store operations in the 1960s, eventually absorbing some of the merchandising, buying and pricing strategies it learned from those operations. Six years ago, its first Drug Warehouse store opened in the former site of one of those discount stores.

Ethnic hair care story: It's fueled by fashion

Photo: Essence

Growth is fueled by fashion trends emerging from professional salons.

For the first time in years, ethnic product buyers are reporting some growth in ethnic hair care product sales.

The growth is not as dramatic as it was in the boom years of the late '70s when the curl look was hot and hair maintenance products were flying out the door.

But many buyers report sales increases of between 4 percent and 10 percent. Some sources think that the growth could be even stronger in the next two to three years as new styling trends emerge.

"Most of our customers are reporting sales increases of between seven and ten percent," says Dave Pearlman, president of North American Beauty Supply. North American services chain drugs, variety stores and food stores in several major markets, including the South.

Pearlman says the growth is the result of "hard work, advertising, promotions, and keeping the merchandise on the shelf."

"We're having nice increases, both from existing and new customers," reports Tom Hood, vp of sales for Savannah, Ga.-based Ben Sheftall Distributors.

"In drug stores, promotional activity is driving the business. Bonus packs, advertising and in-store programs are what's making it happen."

But, as is always the case in this category, growth is also fueled by fashion trends emerging from professional salons.

Geri Duncan Jones, president of the American Health and Beauty Aids Institute (AHBAI), reports there's "quite a lot happening in the ethnic market right now," and she says "much of it is driven by professional trends carrying over into the retail market."

Versatility is key

According to sources we talked to, the fashion buzzword in hair styles this year is "versatility."

"In fashion, it's anything goes right now. It's great," says Lou Orenstein, president of Judith Lynn Beauty Supply. "Some are wearing the curl. Some are going for the flattop look. Some are relaxing their hair. It means you're able to sell a lot of different kinds of maintenance products now, not just a trailer load of one thing needed for one particular style."

"There isn't any one style that's everyone wants and that's good," says David Pearlman of North America Beauty Supply. "Men and women are changing their styles frequently, and that means they need a variety of products to maintain these different styles."

ethnic *Merchandising*

"Today, it's do whatever you want to do," says Jones. "At the Bronner Brothers fashion show in Las Vegas, I was seeing a lot of asymmetrical cuts. Hair may be cut long on one side and short on the other. One part may be curled, the other may be straight."

This year, men seem to be wearing their hair slightly longer and many are opting for the High Top cut, which requires more maintenance than the short cuts that many men were favoring until recently.

"Hair on guys is coming back," says Mike O'Neil, who buys ethnic products for Harris Beauty Supply, headquartered in Alexandria, Va. "And what you're seeing are men using two or three products instead of one to maintain their styles."

"Some men are wearing their hair back with a little ponytail," says Jones. For men to achieve this style, she adds, they have to let their hair grow out and then use a chemical wave in their hair so they can bring it back and tie it.

"And whether men are wearing their hair natural or straight," she says, "longer hair means they do need at least several maintenance products to manage the style."

Ethnic hair care sales grow

	$ sales (in millions)
1987	$215.7
1988	226.7
1989	233.1
1990*	74.6

*First four months of 1990. Food and drug store sales only.
Source: Nielsen Marketing Research

"Before guys can do anything with their hair, they need to process it," says O'Neil, who says he's been selling an "awful lot" of Luster S Curl kits this year: "So they use a product like the S Curl kit to loosen their hair, and then they can do a High Top. And once they go for a High Top, they need two or three other products to maintain it. Maybe a gel or a pomade to style it on the sides, and a gel activator on top to puff it."

Relaxed hair is the most versatile, the easiest to work with and to change, and that probably accounts for the fact that every buyer we talked to reported that their relaxer sales are continuing to go up.

Pearlman also pointed out that in a relaxer market, oil-type products and instant conditioners do well because they help add moisture to the hair and protect it from drying out.

"Today's consumer is much more conscious of having healthy hair," says Jones. "And so you're seeing hair product manufacturers trying to develop more products that meet this need."

Along with relaxers, the other strong growth segments in ethnic hair care this year are hair conditioners-moisturizers, curl and wave kits, skin toners, hair color and styling aids—particularly setting lotions-spritzes and gels.

In salons, where styling trends originate, dry and body curls are very popular, and that has caused a boom in the retail sales of dry and body curl maintenance products like the Soft Sheen Finishing Mist and Lotion and the new Right On Dry Curl Mist and Lotion.

Retail sales of curl kits, which in the past few years have been declining, are now regaining ground.

The salons now seem to be doing more hair weaving, a technique that can make hair look fuller as well as conceal imperfections like thinning hair or bald spots.

Geri Duncan Jones, interviewed as she attended the Bronner Brothers Beauty show in Las Vegas this past August, reported that hair weaving was being demonstrated "all over."

She also saw a tremendous onslaught of styling products at the show, especially spritzes and gels, and products that temporarily add color to the hair.

As far as most buyers are concerned, all this new fashion activity should mean good news for retailers.

Looking down the line, most of our sources felt that ethnic products are poised for even greater growth. Fashion seems to be on the category's side, finally, and even a depressed economy could be a boon in disguise.

"As the economy goes down, strangely enough, business picks up," says Judith Lynn's Lou Orenstein. "When times are tough, ethnic consumers seem to buy even more beauty care products. They want to look better because it helps them feel better."

Geri Duncan Jones sums it up this way:

"If the stylists are wearing it, you just know their customers are going to be wearing it."

Hosiery shows growth

Hosiery is another strong growth area for ethnic.

Now that Sara Lee owns both Afrotique and Brown Sugar, buyers say they have been doing a tremendous amount of general market promotions. The activity is having a positive impact on sales.

Several sources said their hosiery sales are exceptionally strong—"strong double-digit increases," one buyer reported.

Many chains have been able to advertise hosiery at 25-percent-off listed prices.

On the West Coast, Pay Less is testing a four-foot set for hosiery, plus endcaps. One source said sales in that category are up about 20 percent over last year.

Even West Coast food chains merchandise ethnic hosiery. Ralph's was the first to expand space for this category and its program has been very strong, one source said.

Distributors reveal what's hot regionally

Among ethnic manufacturers, Soft Sheen right now is clearly doing the best job with new product intros. In the past two years, the company has launched more new products than anyone else. And, according to buyers, just about everything Soft Sheen brings out does well.

Buyers and distributors say Soft Sheen's two-year-old Care Free Curl Gold Activator continues to sell very well, and so does its High Five styling line, particularly the gel. High Five is targeted to young men who adopt the flattop look, which is very popular right now.

"Soft Sheen is way ahead of most of the other players in terms of new product introductions," says Kent Humphreys, president of Jack's Service Co. in Oklahoma.

"Their Finishing Mist and Lotion, their Scalp Spray, their Gold Shaving Powder, Optimum Care—everything they've brought out recently—are selling well," says Dan Medow, president of Detroit-based Standard Distributors.

Soft Sheen also has a professional line called Wave Nouveau, which is intended to be sold in beauty and barber shops. Distributors say they are doing very well in those outlets. But a few maintenance SKUs from that line are available for retail distribution, and the few drug chains that have stocked them report they are turning well.

Revlon's Professional Division is in a similar situation with its Rap n Tap maintenance line. Rap n Tap is intended for professional distribution only, but it has been diverted into retail stores, and where it has, sales have been "phenomenal," our sources say, especially in the last two to three months.

One single item, the Pre Con Gel from Summitt Labs in Chicago is getting expanded distribution because of its success. After testing it in 100 stores, for example, one major chain approved it for all 600 of its stores.

Cocoa butter is definitely a top stable item. All sources say they are doing well with cocoa butter items. Most say Palmer's, Queen Helene, Scientific Research's Le Kair, and the new Hollywood cocoa butters were all steady sellers.

Other companies whose brands were singled out for superior sales performance were: Carson, LustraSilk, Luster, Revlon, Pro-Line, Johnson, J. M. Products, All Ways Natural, Scientific Research and Worlds of Curls.

Among newer or smaller companies, buyers mentioned Hollywood Beauty Supply out of Hollywood, Fla.; Green Acres, of Shannon, Miss.; Bronner Brothers; Modern Research's Attitudes Unlimited, and Summitt Labs in Chicago.

Drug Store News interviewed distributors around the country to pinpoint hot ethnic products in various regions. The following is a sampling of their comments.

Jack's Service

In Oklahoma City, Kent Humpreys, co-owner of Jack's Service Co., reports that Soft Sheen's Optimum Care, the Soft Sheen Care Free Curl Gold Activator, Soft Sheen's High Five, Modern Research's Let's Jam, and Lustrasilk's Dry Curl maintenance items are all doing exceptionally well right now.

He says he's also seeing a lot of movement on Scientific Research's New Era Spritz and Hot Oil, part of a line of styling aid products introduced by Dow Brands, but now owned by Florida-based Scientific Research.

Judith Lynn Beauty

In Chicago, Lou Orenstein, president of Judith Lynn Beauty Supply reports that he is also seeing very strong sales of the Soft Sheen Finishing Mist and Lotion.

Revlon's relaxers are "blowing out" the door at Judith Lynn. Dark & Lovely relaxers and Gentle Treatment relaxers are also doing very well.

Worlds of Curls' new styling line, Bodi, was just shipping at press time, but like other sources, Orenstein thinks it will do well.

Bodi is the first full line of maintenance products for dry or body-curled hair. The line includes a Finishing Mist and Lotion like the ones from Soft Sheen and Right On, but Bodi is positioned as a regimen for the hair so the line also includes a shampoo and oil spray.

Standard Distributing

In Detroit, Dan Medow, president of Standard Distributing Co., says Posner's cosmetics, recently repackaged, are doing "fabulously."

He says this line has been showing dramatic increases as its distribution continues to expand in mass merchandise as well as chain drug stores.

Posner is also introducing a new line of cream foundations that Medow thinks will do very well because they fill a void in the market. They are formulated to deliver department store quality at drug store prices.

Ben Sheftall

At Ben Sheftall in Savannah, Ga., vp of sales Tom Hood reports that Pro-Line's promotional events, like Wrap It Up, have been very strong.

"Pro-Line," he says, "is exceptionally well organized in terms of its advertising and promotional activity."

Hood says that Soft Sheen's promotional programs are also very strong, primarily because they "understand what the customers need." He adds that Soft Sheen is more than willing to work with retailers and distributors to create something.

Although Pro-Line hasn't introduced anything dramatic lately, Hood and other distributors say the company's Soft & Beautiful relaxers are continuing to show good growth.

Paul's Sundries

Out in California, Chuck Lewman, president of Los Angeles-based Paul's Sundries, says they promoted Dark & Lovely's new maintenance line in February with $2 and $3 rebate coupons scotch-taped to the packages and had "excellent sell-throughs."

Luster's S Curl products are in most top 25 best seller lists, and Lewmam says that for Paul's Sundries, "Luster's S Curl is our number-one item in dollars. It's awesome."

The Let's Jam gel has been in Lewman's warehouse for a year and it's already made No. 66 on his dollar list of top items.

Beauty Enterprises

At Beauty Enterprises in Hartford, Conn., ethnic product buyer Jim Normandin said his vote for the year's best-selling new ethnic product goes to Hollywood Cocoa butter, a new item from Hollywood Beauty Supply. Normandin says its sales in his markets have been phenomenal. He said the packaging and the product formulation are "way above average." And the price points are very competitive.

"Cocoa butter is a great category," says Chuck Lewman. "The Hollywood cocoa butter line looks very good. Good packaging. Good promotions. We also do a good job with Palmer's and with Esirg, made by Esirg Manufacturers in Sacramento. Le Kair is doing well and although we don't stock New Era yet, I think it should do well too."

Harris Beauty Supply

In the mid-Atlantic and Southern regions, Mike O'Neil, who buys ethnic products for Harris Beauty Supply, also reports very good sales on cocoa butter. The Hollywood item is doing well in his markets, he says. So is the Le Kair cocoa butter from Scientific Research, and an old brand, Strickland's Nadinola.

At Harris, relaxers and hair color sales are both showing double-digit growth rates, while curl sales have stopped their decline and stabilized. Like other distributors, O'Neil also reports exceptional sales for Luster's S Curl, a trend that may be partly attributable to the popularity of the high-top look.

O'Neil also reports that in his markets the Right On Dry Curl maintenance line—the gel, moisturizing spray and activating lotion—are also doing quite well.

Photo: Essence

The fashion buzzword in hair styles this year is "versatility," with sources saying, "in fashion, it's anything goes right now. It's great."

Promotions are key to ethnic merchandising retail success

Most drug chains depend on manufacturer promotions and value packs to drive sales in their ethnic department, but no matter what their methods are, our sources agree that promotions are key to success in the category.

"It's important for drug chains to promote their ethnic departments," said AHBAI's Geri Duncan Jones.

"When you walk in Walgreen stores, for example, you find ethnic products right up at the front and that does make a customer feel welcome."

Jones, as well as ethnic product buyers, also say it's important for drug chains to give ethnic products prominent off-shelf distribution in high-traffic neighborhoods.

"If drug chains are going to maintain large share of ethnic sales, they have to be aggressive," says Jones.

This year, Luster has launched a national program tied in with billboards, flyers, local radio and other media that has really sparked sales of its Pink Oil Moisturizer.

"I'm selling as much of the Pink Oil as I can get," says Mike O'Neil of Harris Beauty Supply.

Luster themed the promotion to May-June for a summer tie in. The timing, in the words of several buyers, was "great." And the turns were phenomenal, says O'Neil.

Alberto Culver also had an above-average promotion for its TCB Scalp conditioner.

Ethnic product intros since 1985

Total no. of new items	319
Percentage of new items in the current top 200 ethnic SKUs	17.2%

Source: Towne-Oller & Associates

ethnic *Merchandising*

Sources said the company created a 14-ounce special bonus pack and offered it at the same price suggested for the 8-ounce Scalp Conditioner. Many chains bought into it as a back-to-school promotion. Several sources told us that when TCB first did this promotion last year, sales were so phenomenal they couldn't get enough product to keep up with the demand. This year, one source said, he bought "really heavily" into the promotion.

K mart is using the item to generate traffic. The advertised price will be a hot two for $5.

Today many chains stage their own promotions in the category. Many of them use their events to create goodwill in the community as well as to drive sales.

K mart, for example, has an annual summer promotion that raises money to send economically deprived children to camp for several weeks.

Peoples Drug in Alexandria, Va., is in its third year of raising money for a scholarship program for the United Negro College Fund. The first year, Peoples set out to raise $10,000. The second year, they tried for $25,000 and this year, they're hoping to raise at least $35,000.

Management has said its goal is to "put something back into the community." Peoples usually runs a telethon at the end of December, takes pledges, and then runs an ad in the February Black History Month issue of *Ebony*, thanking consumers for their pledges.

Perry Drug has a number of great community-minded promotions. Last year, the chain gave away 12 $1,000 scholarships to high school students whose original art creations were chosen for publication in Perry's 1990 Black Hair Care advertising campaign.

On the West Coast, drug chains tend to rely less on mass-market promotions to build traffic and more on customizing their mix according to individual neighborhoods.

Longs' ethnic business, for example, is up strongly this year. Chuck Lewman, president of Paul's Sundries, a major supplier of ethnic products to West Coast chains, says it's because Longs is able to merchandise each store according to its community's needs.

"Their managers listen to what people say they need," he says, "and that's what shows up in their stores."

Longs also assigns a store department manager to oversee ethnic. That person is responsible for throwing out slow-moving items and expanding faster-moving items.

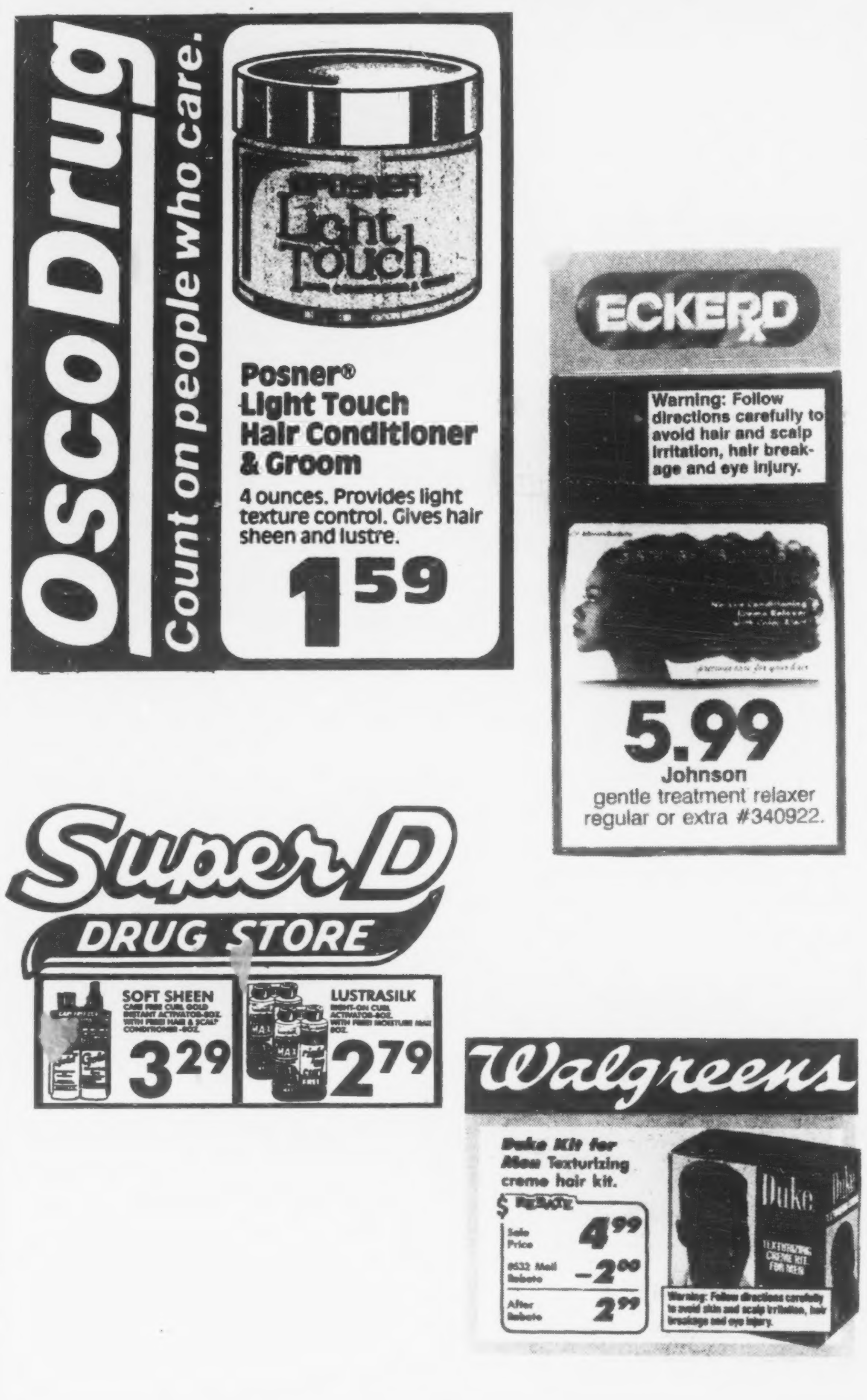
Clark Drug also merchandises to its customers. In addition, their stores are always kept clean and well stocked, both basic amenities that nevertheless are sometimes hard to achieve with a high-traffic, fast-turning department.

Clark also has department managers responsible for ethnic; generally they are service people who have been in the store and responsible for that category for relatively long periods of time, so consequently they know that area well and can provide competent service.

Clark is also very quick to try new items. They give ethnic plenty of off-shelf display space, usually on ends. They respond to their customers and they give good value.

Thrifty, which has stores in areas where black shoppers are more concentrated, tries for more formalized promotions. They also give ethnic products endcap placement. They use manufacturers on packs, and this year they are testing a shopping spree contest in certain high-traffic ethnic neighborhoods: when customers buy a product, they're entitled to fill out a sweepstakes coupon that can win them a five-minute shopping spree or $1,000, whichever they prefer. Thrifty has done some radio to promote the program as well as flyers, bag stuffers and mailers.

Drug chain ethnic promotions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Harco maximizes chain's ethnic promotion opportunites

Harco Drug this year plans to woo black shoppers by getting "more involved" in advertising, especially at key holidays like Christmas and special occasions like Black History Month.

"Last year, we cut off ethnic product advertising in November so we could concentrate more on gift advertising for Christmas," says Harco's ethnic products buyer, Charles Monk.

"But this year we're going to continue advertising the basic commodity items right through December. We're going to have black shoppers in our stores anyway, so why not offer hair sprays, conditioners and other products so they'll feel appreciated."

Monk says Harco is also going to put more of an advertising emphasis on Black History Month next February. It's a major event for many black consumers, and consequently a key promotional opportunity for retailers.

Next year is also Harco's 50th anniversary, and the chain plans to kick off its "Happy Anniversary" advertising in February. Monk says that gives him a perfect tie-in to Black History Month.

Monk's goal with his advertising is "to let blacks know we appreciate their business."

ethnic Merchandising

Ethnic products will get a full page in Harco's chainwide circulars and they will probably be prominently positioned on the back page.

Harco is also resuming ethnic training schools. Two are scheduled for this fall, in Tuscaloosa and Mobile.

"We've done schools before," Monk says, "but not in the last year-and-a-half or so. We're going back to them because schools are very effective. They bring the girls up to date on what's happening with the category and with new products, and they help train them to better service their customers."

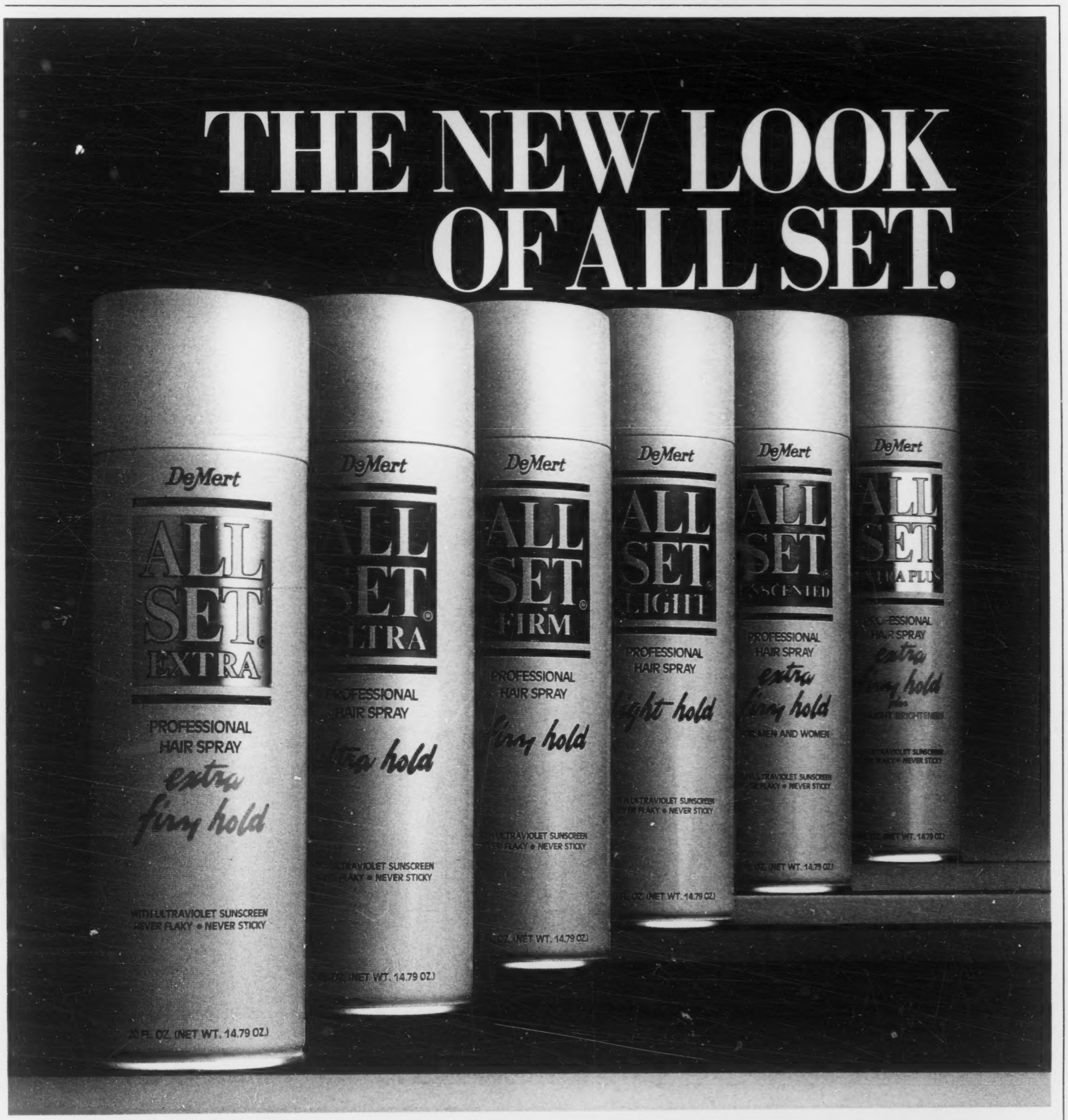
Monk says both cosmeticians and front-end managers attend the schools.

Harco will continue to do live radio remotes from high-volume ethnic neighborhood stores, because Monk says they are incredibly effective ways to reach customers.

"If you've got a good strong radio station to work with, it's the best way to bring customers in," he says.

"The deejays give away records, promote their stations. We give away samples or product and everybody has a good time."

And, Monk says, having a good time translates into "also doing a good business in sales."



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Coley-Morris launches own media rep firm

CHICAGO — Beverly Coley-Morris, an advertising sales rep formerly with *Essence* and The Pattis Group, has launched BCM Marketing Representatives, Inc., a newspaper buying service based here.

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Mass merchandisers make big ethnic category investment

ethnic
Merchandising

Mass merchandise stores like K mart, Target, Wal-Mart and Venture are jumping into the ethnic product category in a big way.

They're adding products to more and more stores and also expanding the category in existing ethnic neighborhood stores.

One source told us that K mart, in particular, is making "dramatic" changes to its ethnic program to strengthen it.

"They're becoming very aggressive in the category. They want to be the leader in terms of advertising," he said. "There's much more of a commitment from the top."

Wal-Mart, about a year ago, went direct with the category, a move that facilitated the expansion of ethnic products into new stores and bigger planograms.

Some food chains are also adding the category to more stores as well as expanding the size of their ethnic planograms.

Jim Normandin, ethnic product buyer for one of the industry's largest distributors, Beauty Enterprises in Hartford, Conn., said sales for his company are up considerably, largely because of increased sales to mass merchandisers and food chains.

Tom Hood, vp of sales for Savannah-based Ben Sheftall, also reports that food chains in his markets are trying to do more with ethnic products.

Kent Humphreys, president of Jack's Service in Oklahoma City, reports that mass merchandisers are giving more space to the category. However, in Humphreys' markets, food chains are not becoming more aggressive.

In the Midwest, Lou Orenstein also does not see food chains doing too much with ethnic. He says they are still not very aggressive in his region. However, the mass merchandisers are.

This year, sources say K mart is reacting by running national ads on ethnic products with 9-percent and 10-percent gross margins. "In the past," said one source, "they would go out at twenty-percent and twenty-two-percent gross."

K mart is also in the process of spending $2.3 billion over five years to upgrade and enlarge new and existing stores.

B&B stores are also continuing to proliferate, although in some areas of the country, such as the East Coast and Middle-Atlantic regions, they have become so saturated that buyers are reporting the start of a shakeout.

Share of ethnic sales by category

Category	Dollar share	% change over last year
Curl activators	24.3%	(9%)
Hair dress & conditioners	20.1	3
Hair relaxers	13.8	4
Moisturizers	8.3	(25)
Curl & wave kits	5.6	(9)
Hair styling products	5.1	4
Combout/oil sheen	4.4	(18)
Skin care products	4.3	1
Wave products	4.2	4
Shaving products	2.8	7
Hair coloring	2.2	11
Shampoos	1.7	(13)
Liquid conditioning	1.6	(3)
Cosmetics	1.0	3
Pressing products	0.6	(21)

Six months through June 1990. Food, drug and mass merchandise stores.
Source: Towne-Oller & Associates

Product key to giving drug chains an edge

To enhance their competitive edge in the ethnic category, drug chains should look very carefully at their product mix. That's what knowledgeable distributors recommend.

They believe that chains have to stay on top of this category, weeding out slow movers and adding hot new items as they come out.

"The successful retailers of the '90s," says Kent Humphreys, president of Jack's Service Company in Oklahoma City, "have to say to customers that they really are in the ethnic products category."

Humphreys says that making a statement in the category may even mean getting into accessories like shower caps, hosiery, cosmetics and even synthetic hair.

"These types of items are all hot in beauty and barber shops right now, and what you see happening is that the beauty and barber shops are taking share away from the chain drug stores," he adds.

"B&B stores carry everything," says Lou Orenstein, president of Judith Lynn Beauty Supply in Chicago. "They don't try to judge from yesterday what black consumers will want today. In this category, you can't wait for Towne-Oller to make a report. They are not going to have the latest hot new products, and that's what drives sales."

Orenstein also recommends that chain drug stores stock plastic shower caps. "They're our number-one item," he says. "Black consumers have to have them to process their hair. We sell millions of caps to the B&B shops."

The caps also sell well in some drug chains, but not everyone stocks them. Thrift has done a good job in this category, our sources tell us, and so have some Oscos, but many other major chains are missing the boat. Distributors emphasize that this is a high-use, high-tonnage category.

Picks and combs are a similar type of opportunity. Chuck Lewman of Paul's Sundries calls them the "bread and butter of the category." They're not high priced. The use-up rate is high, and they've very popular with black consumers. Many distributors say drug chains as a whole neglect this category. "It's almost like an afterthought," says Lewman, "but you have to make a conscious decision to be in this category because you do need an assortment. It has to be more than just a Goody section, because a Goody section is not where most ethnic consumers shop. They shop the ethnic department."

Lewman thinks that the brand doesn't matter as much in this category as long as the product is good quality. He says boar bristle brushes sell best because they are strong.

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Chains gearing up to maximize Christmas fragrance sales

Now that the buying for Christmas 1990 is over, chain drug stores are getting ready for their next hardest task: implementing the merchandising programs developed to maximize Christmas sellthroughs.

The implementation process is especially critical for fragrances. In many chains, buyers say this category literally lives and dies depending on how well it sells at Christmas.

For the third consecutive year *Drug Store News* and SPAR/ Burgoyne Marketing and Information Services have done a Christmas fragrance audit of chain drug stores.The audit's purpose is to examine how effectively fragrances were merchandised at the store level. For the Christmas 1989 audit, SPAR/Burgoyne researchers visited 364 chain drug stores in 20 major markets.

To help analyze the audit, *Drug Store News*, earlier this year, shared the SPAR/Burgoyne findings with close to a dozen cosmetic merchandisers, buyers and fragrance venders.

Basically the retailers were all with companies in the Top 15 highest volume drug chains, and each reported some growth in their fragrance sales last Christmas. Most attributed their gains to a variety of factors including: giving fragrances more display space, trying to stay in stock on the most in demand brands, and trying to give customers a broader selection of the most popular department and designer brands.

In analyzing where they generated the strongest growth, most buyers said it came from new launches like Ex Cla Ma Tion!, Dare, California and Aspen as well as from department store brands like Red, Obsession, and Passion.

But many buyers also said they were somewhat disappointed in the sale of traditional mass market brands, and after studying the fragrance audit, some sources think they found out why some of the popular mass brands were softer in '89 than in prior years.

In-store support needed

In many cases, some of these select brands weren't well supported at store level. Although most of the major manufacturers were aggressively advertising these lines on TV and print, as our vender sources pointed out, the audit revealed that many chain drug stores were not following through with merchandising support. They weren't using off-shelf store displays that tied into the print or TV ads.

Consequently, some buyers felt that some mass brands got lost in the shuffle and as a result, chain drug stores couldn't maximize selling opportunities.

This year, buyers who reviewed SPAR/Burgoyne findings, said they will try to give more visible placement to the leading mass brands, and some said they will actually play down their presentation of department store brands.

This is partly to achieve a better overall balance between displays for the key mass brands, lesser known price/value brands, and displays for upscale department store lines; and partly to encourage stronger sales of mass brands because they have

Continued on page 60

How space allocations have changed for fragrances at Christmas

(Christmas 1989 vs. 1988 and 1987, total feet)

	1989	% change '89 vs. '88	1988	% change '88 vs. '87	1987	% change '89 vs. '87
All women's	47,419	(1%)	47,896	18%	40,442	17%
All men's	25,538	2	25,098	20	20,823	23
All fragrances	72,957	0	72,994	19	61,265	19

Source: *Drug Store News* and SPAR/Burgoyne Marketing & Information Services

Ranked comparison of how select chain drug stores merchandised fragrances at Christmas

Chain (HQ)	Average everyday department size	Average additional promotional space given at Christmas	Total Christmas display space	% increase over everyday displays
Revco D.S. *(Twinsburg, Ohio)*	60.5′	99.9′	160.4′	165%
Eckerd Drug *(Clearwater, Fla.)*	92.6	145.8	239.7	157
Rite Aid *(Shiresmantown, Pa.)*	33.7	45.8	79.5	136
Sav-on *(American Stores, Chicago)*	157.0	210.0	367.0	134
Walgreens *(Chicago)*	96.9	113.4	210.3	117
Pay Less Drug Stores *(K mart, Wilsonville, Ore.)*	117.1	136.4	253.5	116
Longs Drug *(Walnut Creek Calif.)*	166.9	177.3	371.7	106
Thrifty Drug *(Los Angeles)*	141.4	128.9	270.3	91
CVS *(Woonsocket, R.I.)*	80.2	70.2	150.4	88
Average for all chain drug stores	104.0	102.6	206.6	99

Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

If chains merchandise fragrances under glass without providing service, buyers say they are locking themselves into a no-win situation. Shrink may be reduced, but at what cost to incremental sales?

Too much of a good thing spells trouble for fragrances

Last Christmas, there were so many new fragrance launches and such a great availability of diverted designer fragrances, that chain drug store fragrance buyers and merchandisers really did have too much of a good thing.

Between the new launches and the easy availability of department store brands like Obsession, Giorgio, and Estee Lauder, there wasn't enough space within most fragrance departments to do equal justice to the merchandising of the most popular mass brands like Charlie, Lady Stetson and Vanderbilt, Stetson, Chaps or Old Spice. As a result, many popular mass brands received less on shelf and promotional display space last year, and, buyers getting ready to merchandise Christmas 1990, will be facing tough merchandising decisions.

"This year with department stores in such financial disarray," said the source for one major chain in the northeast, "designer fragrances are extremely easy to obtain. And on your terms. If I decide not to

Continued on page 62

Study methodology

The *Drug Store News* Christmas fragrance audit was implemented by SPAR/ Burgoyne, a national research firm that specializes in marketing information and merchandising services for consumer product manufacturers.

Through its national field organization of over 1,000 people, SPAR/Burgoyne monitors brand and category activity among food, drug and mass merchandise and other retail outlets on an ongoing basis.

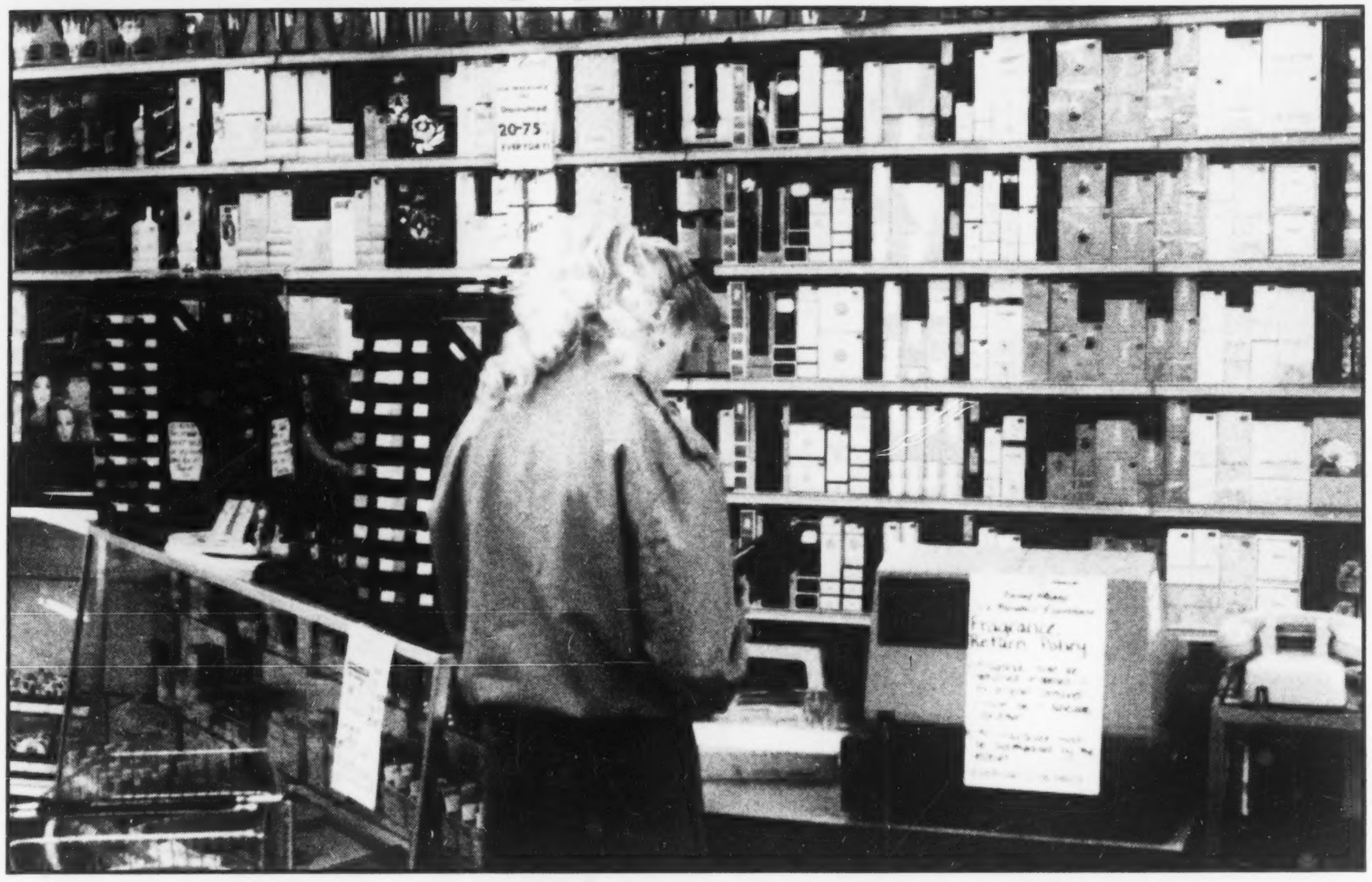
The firm also provides an in-store merchandising force to support client efforts at point-of-sale.

SPAR/Burgoyne's research capabilities also include retail sales measurement and analysis of new product and advertising activities in hundreds of test markets across the country.

The firms Consumer-Views group provides custom survey research and analysis among both consumers and trade audiences.

For the 1989 Christmas fragrance audit, SPAR-/Burgoyne monitored fragrance merchandising in 364 chain drug stores in 20 major markets. The audit was performed on Nov. 9, 1989. All measurements were taken in linear inches.

Chains gear up holiday merchandising plans for fragrances



According to our last audit, the growth segments are new launches like Ex Cla Ma Tion!, Dare, California and Aspen as well as department store brands like Red, Obsession, and Passion.

Continued from page 59

higher gross margins than discounted designer fragrances.

Fragrance display space

Overall, buyers who saw our survey were satisfied with the amount of total display space that fragrances were given for Christmas, 1989 and how fast the stores got their displays up.

According to the SPAR/Burgoyne audit, 74 percent of the 364 stores in the survey had their holiday displays up by the week of Nov. 5. As one buyer said, that means most stores were capturing impulse gift purchases immediately after Halloween clean-ups.

Between regular shelf space and additional promotional display space, the fragrance category was as visible in 1989 as it was in 1988. Men's fragrances were given a a little more display space last Christmas than they were in 1988, up 2 percent, while women's were given a little less, down 1 percent in 1989 versus the prior year.

Distribution worries

Since mass market fragrance brands are the heart of most chain drug store fragrance programs, buyers said they were surprised and somewhat worried about gaps in distribution.

In the 364 stores in the study there were cases of serious out-of-stock problems on major brands like Jovan Musk for Women, Ex Cla Ma Tion!, Le Jardin de Max Factor, Hero, English Leather, Chaps and Old Spice Cologne.

In some cases, it was clear that some chains were moving slowly in getting new launches like Ex Cla Ma Tion!, Almay, Dare and California into their stores in time for Christmas .

There were, for example, 138 stores, 38 percent of the survey, that were not in stock on California, which is generally considered the best mass women's fragrance launch of 1989.

In other cases, it looked like some stores simply hadn't received deliveries on major established brands like Charlie, Jovan Musk for Women, Lady Stetson, Le Jardin, Chantilly, Old Spice Cologne, Stetson, and English Leather.

For example, 7 percent of the stores we surveyed were not in stock with Lady Stetson the day of our Christmas audit, Nov. 9. Eleven percent were out of Xia Xiang, and 27 percent were not carrying Jovan Musk for Women.

In men's fragrances, the picture looked similar. Old Spice, the clear leader in unit sales, was in stock in only 87 percent of the surveyed stores last Christmas. Stetson, the number one brand in dollar sales, was out-of-stock in 6 percent of the stores surveyed the day of our audit.

Some buyers felt part of the stocking problem was do to the extra workload pressures of Christmas. Operations people are busy and if a cosmetic department doesn't have a trained cosmetician or cosmetic merchandiser overseeing it, even top sellers like Old Spice or Stetson can be out-of-stock.

In fact, some buyers said that brands from Coty or Cosmair might have faired worse if both these manufacturers didn't have reasonably strong service programs in place. "Coty has the best service program in the business and Cosmair's been getting better and better," said one source. "I think their in-stock rates and their display space was as much due to their reps as it was to our sales clerks."

Display inconsistencies

The audit also found inconsistencies in display space given to fragrances. Charlie, Lady Stetson and Vanderbilt are three of the strongest and most popular mass brands yet just 63 percent of all stores displayed Charlie; 69 percent displayed Lady Stetson, and 64 percent displayed Vanderbilt. Buyers consistently said how "hot" California was in 1989, yet only 32 percent of the stores surveyed displayed it.

Dare, as a new launch, also did well in sales in 1989. But if more than 39 percent of all chain stores had displayed it, it might have done even better, according to sources.

Men's brands were treated a little more generously in terms of Christmas display space, but there were still missed opportunities. Aspen, for example, was new and hot, but only 42 percent of all stores displayed it. Although 96 percent of the stores in our survey had Jovan Musk, just 64 percent displayed it and just 58 percent of stores who had Old Spice displayed it. Stetson, the leader in men's dollar sales, was displayed in just 69 percent of all stores.

Fragrances under glass

One buyer said that when chains merchandise fragrances under glass, they are locking themselves into a no win situation, especially if they don't have anyone in the cosmetics department to service customers.

"We lock our fragrances up, even at major holidays like Christmas," the buyer said. "We don't provide service. We don't get all the displays up in time, and consequently we never generate all the sales we should have had."

Comparison of display strategies for men's fragrances

(Christmas 1989 vs. Christmas 1988 and 1987)

	% of stores using these types of displays		
Displays	**1989**	**1988**	**1987**
Endcaps	42.2%	46.0%	47.3%
Counters	35.8	31.8	22.9
Island or freestanding	51.8	52.9	52.7
Expanded shelf space	45.2	50.4	42.3
Under glass	54.2	49.0	45.6

Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

Men's fragrances efficiency index: Return on investment by footage

(Share of dollar and unit sales correlated to share of total display space)

	Dollar index	Unit index	Average linear ft. of display space
Old Spice	130.5	195.0	7.3′
Pierre Cardin	117.5	86.6	3.5
Santa Fe	95.2	84.6	2.4
Stetson	109.1	100.0	7.4
English Leather	93.7	153.9	6.1
Iron	93.1	79.8	2.9
Night Spice	92.6	92.6	1.9
Chaps	85.0	60.1	4.9
Hero	82.1	76.0	3.2

Note: This space to sales ratio was determined by dividing brand share for the November/December period in drug stores by Spar's measurements of share of total space allocations for the brands mentioned.
Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

Comparison of display strategies for women's fragrances

(Christmas 1989 vs. Christmas 1988 and 1987)

	% of stores using these types of displays		
Displays	**1989**	**1988**	**1987**
Endcaps	45.9%	45.7%	44.0%
Counters	39.8	36.8	34.3
Island or freestanding	59.0	61.9	59.7
Expanded shelf space	40.4	51.9	41.4
Under glass	64.8	68.6	62.7

Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

Women's fragrances efficiency index: Return on investment by footage

(Share of dollar and unit sales correlated to share of total display space)

	Dollar index	Unit index	Average linear ft. of display space
Charlie	160.9	154.1	5.0′
Ex Cla Ma Tion	140.4	156.6	4.0
Xia Xiang	129.0	113.5	3.7
Vanderbilt	104.3	85.6	6.4
Lady Stetson	88.6	108.7	4.3
Primo	79.5	121.9	3.6

Note: This space/sales ratio was determined by dividing brand share for the November/December period in drug stores by SPAR's measurements of share of total space allocations for the brands mentioned.
Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

Fragrances vying for display space

Continued from page 59

take Polo at a 15 percent discount on Monday, I know someone will offer me an 18 perecent discount on Tuesday."

"There are so many SKUs available," says Genovese's cosmetic merchandiser Stephanie Hayter, "that we have cut back on even the better selling mass brands."

Inventory turns

"Today, the financial people worry about nothing as much as turn of inventory," said a buyer for a major mid-west regional chain fighting to strengthen its cosmetic franchise with consumers. "The inventory turn in dollars and cents is their key measurement of profitability. But at some point if you cut back on presentations to reduce inventory or if you lock inventory up to reduce shrink, you wind up just about going out of business.

"Many financial guys can even see the down the road consequences of cutting space themselves just as merchandisers can. But in their position, they don't see any way around the dilemma," he added.

Not a surprise

Many of the approximately one dozen chain drug cosmetic buyers and cosmetic venders who helped us interpret the findings from the *Drug Store News* SPAR/Burgoyne 1989 Christmas fragrance audit, say they weren't very surprised by some of the trends SPAR identified.

"The space allocation changes in SPAR coincided with what we had on counter in 1989," Genovese's Hayter said. "Even though Charlie's dollar sales were growing, we had to cut space. In our stores, we had to cut back on the mass brands, even the best sellers to make room for the new launches and the designer scents."

Several buyers said they feel they lost space for their category because their year to date growth in fragrance gift sets sales hasn't been able to keep pace with sales of other gift set items like candies or appliances.

Better display fixtures

This year, more buyers are hoping to reverse that trend by taking greater advantage of the higher quality off shelf display fixtures that many of the major fragrance houses are shipping, especially the tower or etagere displays that some chains experimented with last Christmas.

This year, for example chains like SupeRx, Genovese, Eckerd's, will be using the new etagere displays from companies like Revlon, Cosmair, Coty, and Prince Matchabelli, as part of a concentrated effort to "get more product out in front of the customer" as SuperRx's cosmetic buyer Mike Russell puts it.

Last year several of the buyers we talked to reported they used Revlon and Prince Matchabelli's two foot by two foot plastic modular displays, and found that they helped generate impulse sales and also proved to be durable and attractive enough to be used beyond Christmas, even for spring promotions during Mother's Day.

Shrink a problem

At Christmas 1989, the SPAR/Burgoyne findings revealed that more chains felt compelled to merchandising fragrances under glass, even the mass brands whose selling prices are moderate compared to the $50 and $60 discounted prices for designer scents.

"It's unfortunate, but true," said one buyer, "that if a fragrance retails for anything over $10 these days, it has to be locked up. When something comes out for over $20, you can expect to find it in a safe."

Continued on page 64

Drug chain strategies for merchandising key men's fragrances at Christmas

			(Among stores carrying brands)	
Brand	% of stores carrying brands: '89	% change '89 vs. '88	% of stores giving promotional display space: '89	% change in stores giving promo display space: '89 vs. '88
Jovan Musk	96%	8%	64%	10%
Stetson	94	0	69	(7)
Hero	93	22	63	9
English Leather	89	3	62	(2)
Chaps	89	(5)	59	(3)
Pierre Cardin	89	6	50	11
Old Spice Cologne	87	2	58	(6)
Adidas	84	*	50	*
Iron	83	(6)	45	(17)
Santa Fe	81	13	44	(8)
Night Spice	79	5	35	(5)
Aspen	62	*	42	*
That Man	44	*	29	*

*New fragrance

Source: *Drug Store News* and SPAR/Burgoyne Marketing & Information Services

Drug chain strategies for merchandising key women's fragrances at Christmas

			(Among stores carrying brands)	
Brand	% of stores carrying brands: '89	% change '89 vs. '88	% of stores giving promotional display space: '89	% change in stores giving promo display space: '89 vs. '88
Vanderbilt	98%	7%	64%	2%
Charlie	97	0	63	(14)
Chantilly	94	4	64	(06)
Lady Stetson	93	0	69	1
Primo	90	1	59	(14)
Xia Xiang	90	22	57	6
Le Jardin de Max Factor	89	0	55	(14)
Ex Cla Ma Tion	79	41	57	46
Almay Fragrance	71	20	29	0
Dare	69	*	39	n.a.
Night Rhythms	68	n.a.	41	n.a.
Jovan Musk	63	n.a.	63	n.a.
California	62	*	32	n.a.
Electric Youth	55	n.a.	16	n.a.

*New fragrance

N.A. means not tracked previously

Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

Percentage of stores using POP to support select men's fragrances last Christmas

Brand	% of stores with POP	% change '89 vs. '88
Adidas	15.0%	n.a.
Aspen	48.7	n.a.
Chaps	24.5	6%
English Leather	24.0	10
Hero	24.9	(27)
Iron	28.8	9
Jovan Musk	20.2	(8)
Night Spice	29.1	1
Old Spice	23.2	7
Pierre Cardin	26.9	17
Sante Fe	28.1	(11)
Stetson	31.2	1
That Man	51.9	n.a.
All men's fragrances	52.7	n.a.

Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

Percentage of stores using POP to support select women's fragrances last Christmas

Brand	% of stores with POP	% change '89 vs. '88
Almay	21.5%	(36%)
California	23.9	n.a.
Chantilly	18.4	(29)
Charlie	29.6	19
Dare	24.6	n.a.
Electric Youth	27.1	n.a.
Ex Cla Ma Tion	37.3	(4)
Jovan Musk	22.7	n.a.
Lady Stetson	29.5	17
Le Jardin	23.1	(30)
Night Rhythms	32.4	n.a.
Primo	31.0	(12)
Vanderbilt	28.9	(4)
Xia Xiang	33.3	(21)
All women's fragrances	52.0	n.a.

Source: *Drug Store News* & SPAR/Burgoyne Marketing & Information Services

Fragrances competing for display space

Continued from page 62

"The fragrance category," says another buyer, "yields the highest dollar returns for shoplifters. It's the most desirable category to steal."

This year, chains like Revco, Thrifty, Genovese, Supe-Rx, Eckerd, and Austin are trying to work harder with venders like Cosmair, Revlon and Coty to find better ways to reduce shrink, and if possible get fragrances back out in a self service environment.

Some chains with bullpens in their cosmetic departments are experimenting with a modified enclosure that would leave one side of the bullpen open for self serve merchandising.

Chains like Peoples, Fay's, and Genovese are trying to adopt a department store fixture, a step platform, into one side of their bullpen. Three sides of the bullpen may be glass, but one side is left open and steps are installed where previously there would be a glass wall. Open stock can be displayed on these steps just as it is displayed in department stores.

More advertising

This year, more chains will do display contests to tie in with major launches like Revlon's Unforgettable, and Noxell's Navy.

Many chains are also using co-op dollars to advertise their fragrance selection, particularly with the newer brands, on television and radio.

In high volume cosmetic stores, more vender reps will stage week-end events like fragrance spritzing, product sampling, or, in some cases, helping to supplement the service efforts of the chain's own store cosmeticians by helping to work the store or recommending the products made by the company they represent.

To help keep inventories lean but sufficiently full to prevent out-of-stocks this Christmas, many chains are improving their reordering systems. DMs and cosmetic supervisors are teaching their store cosmeticians why reordering correctly is so important, and how it should be done so stores are neither out-of-stock nor overstocked.

Many chains cleaned out their fragrance inventory in June so they would be prepared for a leaner Christmas.

This year too, chains are watching the number of gift sets they buy. Some buyers are going to try to maintain a 65 percent or 75 percent ratio of basic stock to gift sets.

Gift sets have to be returned if they don't sell through or they have to be marked down, and some buyers can't afford the expense of doing either.

Also some buyers complain that venders don't give enough of an allowance to cover the cost of mark-downs, meaning that for some chains, "marking down a gift set isn't worth the bother. If we mark it down 50 percent to sell it through and venders only give us 25 percent or less to cover the mark down, we wind up losing money. It's better just to send it back and get the credit."

"I think a lot of people buying gifts prefer to put their money into the larger sizes of the perfumes and cologne that they know a woman likes rather than to get her a talc or a cream that she might not use," said one buyer.

Single-stock orders

Some chains are trying to find the right conservative balance of stock by shifting single stock orders from headquarters down to the store.

One buyer said this Christmas, his company is letting each of its stores place their own orders for single stock. "Instead of us sending in a certain pre-set number of items out in September like we did last year, we're going to let the stores order what they think they'll need six weeks in advance of an ad taking place. This way each store can buy into its needs and they can buy in closer to the event, so we may be able to prevent overstocking."

This chain is also prohibiting any distribution of basic stock pre-packs into its stores to prevent over-inventorying any one item, and they're also being very cautious with their color shade promotions.

We'll bend over backwards to move your products forward.

In today's marketing wars, getting your products to the store is just the *beginning* of the battle.

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Rite Aid's 2nd quarter sees hikes in net, sales

SHIREMANSTOWN, Pa. — Rite Aid Corp. tallied a 10.4-percent increase in income from continuing operations and a 7.4-percent gain in revenues for the second quarter ended Sept. 1.

Corporate income from continuing operations rose to $21.5 million, or 52 cents per share, from $19.5 million, or 47 cents per share, in the comparable period last year. Corporate revenues for the quarter were $826.2 million, compared with $768.9 million.

Year to date, corporate sales gained 8.7 percent, to $1.7 billion, and income from continuing operations was $46.7 million, compared with the year-earlier period's $42.8 million.

Drug store revenues were up 6.8 percent for the quarter, to $780.8 million, and net income was up 10.2 percent, to $20.4 million. Same-store sales increased 6.5 percent for the quarter and 7 percent for the 26 weeks.

Rite Aid was operating 2,378 drug stores as of Sept. 1, a net gain of 23 units for the quarter.

In Rite Aid's other divisions:

- Concord Custom Cleaners, which operates 170 dry cleaning outlets, posted a net loss of $348,000 for the quarter, versus income of $60,000 for the year-earlier period, while sales increased 12.6 percent, to $5.7 million. Rite Aid bought the dry-cleaning business when it acquired Begley Drug in Kentucky two years ago.
- Sales in the American Discount Auto Parts (ADAP) division increased 28.8 percent for the second quarter, to $19.4 million, and net income grew to $464,000 from $153,000.
- Sera-Tec Biologicals, which operates 27 plasma collection centers, posted sales of $11.3 million for the 13 weeks, a 20.5 percent increase. Net income for the quarter advanced 47.2 percent, to $795,000.
- Encore Books sales were up 5 percent, to $8.97 million for the quarter, while net income declined to $168,000 from $204,000 the previous year. Encore opened eight stores during the quarter, for a total of 59 stores.

Cardinal's first-qtr. net climbs 40 percent

DUBLIN, Ohio — A 19-percent sales increase caused Cardinal Distribution, Inc.'s net income to climb 40 percent, to $3.3 million, for the first quarter ended June 30, the wholesaler said.

Sales for the period were $242.1 million. The results included less than two weeks' revenues from the recently acquired Ohio Valley-Clarksburg, Inc.

During the quarter, Cardinal completed a $75-million offering of 7¼ percent convertible subordinated debentures, with a $5 million overallotment amount. Proceeds will be used for operations and debt reduction, the company said.

Cardinal also announced at its recent annual meeting that its board of directors had authorized a five-for-four stock split, effective Sept. 30, for shares held as of Sept. 15.

Pricing pays: Drug Emporium sales up 24%

COLUMBUS, Ohio — A 24-percent increase in sales, to $141.1 million, was posted by Drug Emporium for the first quarter ended May 31, with same-store sales up 13 percent, the deep discounter reported.

Net income climbed from $1,758,000 to $1,832,000.

Gary Wilber, chief executive officer, noted that earnings figures for last year's period benefited from vendor rebates totalling $1 million, and that this year's figures were "stronger than expected," reflecting "continued progress toward leveraging sales increses into higher operating profits."

Wilber attributed the sales increase to a "refined pricing strategy" adopted last year.

The company opened one new store during the quarter and began operating the three recently acquired stores in Minneapolis.

MARKET DIARY:

Largest Dollar Gainer	Cardinal Dist, Marion Labs	$ 0.75
Largest Dollar Loser	American Stores	$ -10.00
Largest Percentage Gainer	Taro-Vit Industries	25.00%
Largest Percentage Loser	Columbia Labs	-31.88%

Advances	4
Declines	47
Unchanged	6
New highs	1
New lows	9

	Close 9/10/90	Close 9/25/90	Net Change	Percent Change
Drug Store News Index	2997.06	2840.22	-156.84	-5.23
Dow Jones Industrial Average	2615.59	2485.64	-129.95	-4.97
Standard & Poor's 500-Stock Index	321.63	308.26	- 13.37	-4.16
N.Y.S.E. Composite	176.70	169.20	- 7.50	-4.24
Value Line Index	208.54	193.95	- 14.59	-7.00

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 9/10/90	Closing Price 9/25/90	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend		Annual	
								Rate	Yield	High	Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	7.00	7.00	0.00	0.00	—	0.00	0.00	7.56	2.88
OTC	Arbor Drugs	ARBR	16.88	17.00	0.13	0.74	15	0.16	0.94	23.25	16.25
OTC	Big B (L)	BIGB	7.00	6.38	- 0.63	- 8.93	- 18	0.16	2.51	14.75	6.38
OTC	Drug Emporium	DEMP	8.38	8.00	- 0.38	- 4.48	13	0.10	1.25	12.75	6.25
NYS	Fay's Inc.	FAY	8.50	8.00	- 0.50	- 5.88	11	0.20	2.50	13.63	7.50
ASE	Genovese Drug (L)	GDX.A	7.00	6.63	- 0.38	- 5.36	14	0.24	3.62	11.75	6.50
NYS	Longs Drug Stores	LDG	35.13	34.25	- 0.88	- 2.49	11	1.04	3.04	48.50	33.50
OTC	Medicine Shoppe	MSII	23.00	18.75	- 4.25	-18.48	18	0.24	1.28	26.75	17.75
NYS	Perry Drug	PDS	8.13	7.00	- 1.13	-13.85	13	0.00	0.00	10.63	6.75
NYS	Rite Aid Corp.	RAD	33.38	31.88	- 1.50	- 4.49	15	0.88	2.76	41.13	29.50
NYS	Walgreen Co.	WAG	45.63	44.38	- 1.25	- 2.74	16	0.80	1.80	53.25	39.88
Wholesaler's transactions											
ASE	Bergen Brunswig	BBC	23.00	22.63	- 0.38	- 1.63	13	0.40	1.77	29.63	20.50
OTC	Bindley Western Ind.	BIND	12.00	10.75	- 1.25	-10.42	15	0.04	0.37	14.25	9.13
OTC	Cardinal Distribution	CDIC	26.00	26.75	0.75	2.88	20	0.08	0.30	29.75	19.75
OTC	Durr-Fillauer	DUFM	24.50	24.50	0.00	0.00	16	0.28	1.14	27.00	19.38
ASE	Ketchum	KCH	1.88	1.63	- 0.25	-13.33	- 1	0.00	0.00	5.13	1.63
NYS	McKesson Corp.	MCK	32.38	31.50	- 0.88	- 2.70	14	1.60	5.08	38.38	30.38
ASE	Moore Medical (L)	MMD	5.00	4.50	- 0.50	-10.00	- 6	0.00	0.00	13.88	4.50
NYS	Owens & Minor	OMI	12.13	10.88	- 1.25	-10.31	18	0.24	2.21	14.63	10.63
Manufacturer's transactions											
NYS	Abbott Labs	ABT	40.50	39.63	- 0.88	- 2.16	19	0.84	2.12	45.63	30.75
NYS	American Home Products	AHP	47.50	47.50	0.00	0.00	13	2.12	4.46	55.13	43.00
NYS	Baxter International	BAX	24.00	23.63	- 0.38	- 1.56	- 58	0.64	2.71	27.50	20.50
OTC	Block Drugs Co.	BLOCA	32.25	32.00	- 0.25	- 0.78	12	0.68	2.13	38.00	31.75
ASE	Bolar Pharmaceutical	BLR	4.88	4.88	0.00	0.00	- 29	0.04	0.82	22.63	3.50
NYS	Bristol-Myers Squibb	BMY	60.13	57.75	- 2.38	- 3.95	34	2.12	3.67	65.88	49.50
NYS	Carter-Wallace (L)	CAR	45.88	45.25	- 0.63	- 1.36	14	0.92	2.03	60.50	44.88
ASE	Columbia Labs (L)	COB	8.63	5.88	- 2.75	-31.88	- 5	0.00	0.00	17.88	5.88
ASE	Forest Labs	FRX	43.38	40.88	- 2.50	- 5.76	26	0.00	0.00	48.38	33.63
ASE	Halsey Drug	HDG	3.13	3.00	- 0.13	- 4.00	100	0.00	0.00	6.94	2.13
NYS	ICN Pharmaceutical	ICN	3.13	3.00	- 0.13	- 4.00	0	0.00	0.00	6.50	2.50
ASE	Lee Pharmaceutical	LPH	1.63	1.50	- 0.13	- 7.69	- 5	0.00	0.00	3.13	1.38
ASE	Leiner P. Nutrition	PLI	8.63	7.75	- 0.88	-10.14	10	0.00	0.00	14.00	7.50
NYS	Lilly Eli Co.	LLY	75.25	72.25	- 3.00	- 3.99	20	1.64	2.27	90.38	58.75
NYS	Marion Labs	MKC	31.00	31.75	0.75	2.42	102	0.80	2.52	36.00	21.00
NYS	Merck Co.	MRK	81.00	75.13	- 5.88	- 7.25	18	2.24	2.98	91.13	67.00
NYS	Mylan Labs	MYL	19.38	18.50	- 0.88	- 4.52	22	0.20	1.08	25.38	13.75
NYS	Par Pharmaceutical	PRX	5.63	5.38	- 0.25	- 4.44	- 6	0.00	0.00	8.25	4.75
NYS	Pfizer Inc.	PFE	71.00	70.75	- 0.25	- 0.35	17	2.40	3.39	76.25	54.50
NYS	Rorer Group	ROR	75.75	75.75	0.00	0.00	36	0.84	1.11	78.25	39.75
NYS	Schering Plough	SGP	46.00	44.00	- 2.00	- 4.35	19	1.12	2.55	50.75	35.63
NYS	Syntex Corp.	SYN	57.38	51.63	- 5.75	-10.02	17	1.60	3.10	63.75	40.00
OTC	Taro-Vit Industries (H)	TAROF	2.00	2.50	0.50	25.00	- 36	0.00	0.00	2.50	0.88
NYS	Upjohn Co.	UPJ	37.50	34.50	- 3.00	- 8.00	19	1.00	2.90	44.63	32.88
NYS	Warner-Lambert	WLA	62.88	59.63	- 3.25	- 5.17	18	1.52	2.55	70.13	49.63
OTC	Zenith Labs	ZENL	6.25	6.25	0.00	0.00	0	0.00	0.00	14.00	3.50
Other retailer transactions											
NYS	Albertson's	ABS	32.38	31.25	- 1.13	- 3.47	20	0.48	1.54	37.63	24.38
NYS	American Stores	ASC	64.75	54.75	-10.00	-15.44	13	1.12	2.05	71.50	51.38
NYS	Giant Food	GFS.A	25.00	23.75	- 1.25	- 5.00	13	0.60	2.53	31.63	23.38
NYS	Great Atlantic&Pacific Tea	GAP	50.75	49.25	- 1.50	- 2.96	0	0.00	0.00	65.38	48.25
NYS	K mart (L)	KM	26.00	24.13	- 1.88	- 7.21	15	1.72	7.13	40.50	24.00
NYS	Kroger	KR	14.38	13.75	- 0.63	- 4.35	72	0.00	0.00	19.00	11.75
NYS	Melville Corp. (L)	MES	40.50	38.50	- 2.00	- 4.94	11	1.40	3.64	57.75	38.50
OTC	Fred Meyer (L)	MEYR	13.75	11.75	- 2.00	-14.55	- 56	0.00	0.00	22.00	11.25
NYS	Penney, JC (L)	JCP	45.50	42.00	- 3.50	- 7.69	7	2.64	6.29	75.63	41.00
NYS	Safeway	SWY	14.00	12.75	- 1.25	- 8.93	46	0.00	0.00	16.88	11.63
NYS	Smith's Food & Drug	SFD	29.00	25.88	- 3.13	-10.78	21	0.28	1.08	34.50	20.88
NYS	Wal-Mart	WMT	27.00	26.38	- 0.63	- 2.31	25	0.12	0.45	36.75	18.50

Key: (H) = New high in period. (L) = New low in period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado

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The California State Lottery ad (p. 45) and Food Merchandising (pp. 32A-P) appear regionally.

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DRUG STORE NEWS®

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LATE NEWS

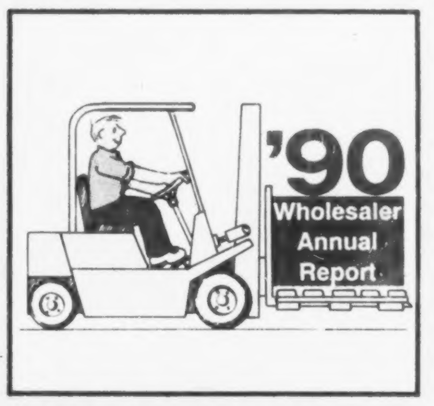
•DEERFIELD, Ill. — Walgreen Co. scored its 16th consecutive year of record sales and earnings in fiscal 1990, with net income up 13.2 percent to $174.6 million and sales topping $6 billion, a gain of 12.4 percent. Pharmacy sales topped the $2 billion mark. The board of directors raised the quarterly dividend to 23 cents per share from 20.

•BENTONVILLE, Ark. — Wal-Mart Stores has agreed to buy McLane Co., a $2.6 billion (sales)Texas-based food and general merchandise distributor.

FEATURES

Triple A brands earn laurels

Annual rankings of market-making items show proven brands are driven by ongoing vendor support. **Page 17.**



Wholesalers eye hopeful future

Business is on an upswing and 1990 is expected to be an overall good year for wholesalers. **Page IP1.**

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SECOND CLASS

Revco's creditors seek control

By James Frederick

AKRON, Ohio — Revco's creditors have asked U.S. Bankruptcy Court to terminate Revco's exclusive right to file a financial reorganization plan, in a bid to file a plan of their own with the court. The move could touch off a struggle for control of Revco between its creditors and its current equity holders, who comprise the majority of its nine-member board of directors.

For first quarter results see page 38

The three committees—representing Revco's trade creditors, bondholders and lending banks—filed a motion Oct. 3 asking the court to void Revco's exclusivity rights and allow the committees to present their own plan to pull the company out of Chapter 11. A hearing is set for Oct. 23 on the motion.

Supporting the plan

Significantly, Revco's management team, which has been closely involved in negotiations with the three committees since the company entered Chapter 11 in mid-1988, has indicated its support for the creditors' reorganization plan. The plan calls for current management to be retained.

> ***'There is probably at least an even chance there will be a competing plan filed (Oct. 23). . . by the board, representing the equity partners.'***
>
> **-McCormick**
> **trade creditors' committee**

Two of Revco's top managers, chairman and ceo Boake Sells and chief financial officer Greg Raven, serve on the boards of Revco and its parent company, ANAC Holdings.

Continued on page 10

Fantle's leases grabbed

Deep discounters lock horns in D.C.

WASHINGTON, D.C. — Drug Emporium Corp. has signed leases for six former Fantle's Drug stores, while F&M, Rite Aid and Peoples reportedly show keen interest in some of the other leases on the auction block as the Fantle's liquidation proceeds.

Drug Emporium president Bob Lyons confirmed that the deep-discount drug chain has secured six leases for 20,000- to 25,000-square-foot stores in Virginia and Maryland suburbs, which will bring Drug Emporium's total store count here to 14.

The deep discounter is shooting for 20-25 stores in this market by February 1992. That will pit it against F&M, which currently operates 12 stores here, and is seriously considering picking up some Fantle's leases.

The six-lease Drug Emporium deal, with an undisclosed pricetag, was negotiated with Combined Properties, after U.S. Bankruptcy Court in Rockville, Md., approved the $9.4 million sale of 12 leases to Combined Properties Aug. 31. Thus, the deal with Drug Emporium does not require court approval.

Combined Properties is controlled by the Haft family. Dart Drug was founded by Herbert Haft in the 1950s, was sold to a management group in 1984, and was bought in 1987 by a group led by Sheldon "Bud" Fantle, who operated the stores as Fantle's.

See **Fantle's** *page 37*

Affil./Assoc. show set to roll with 132 vendors

By Dave Vaczek

Devine

NEW YORK — Jim Devine, the recently elected president of Affiliated/Associated Chain Drug Stores, didn't wait for the Fall Show to put his personal imprint on the association.

He couldn't afford to. When Devine took over the president's post on Aug. 20, only 62 vendors were signed for the Oct. 18-21 event in Atlanta. Devine and his buyers made the phone lines sizzle through late summer, and by press time, 132 vendors had signed up, four more than last year.

The Atlanta enrollment isn't an unqualified success: Chesebrough-Pond's, Johnson & Johnson, Whitehall and Pfizer's Consumer Health Care division won't be attending this year, Devine said. He does feel that a strong, diverse mix of product and service vendors has been enlisted. Sundries, gifts and baby products (including Remco Baby), are among well-represented categories, with service vendors including Hammacher Associates and Streater Co.

"I'm personally very happy with the mix of vendors we

See **Devine** *page 37*

Revlon puts counterfeiters on notice

By Susan Ball

NEW YORK — Counterfeit fragrances, cosmetics and skin care products are finding their way to the shelves of drug and H&BA stores, in spite of the rigorous precautions many retailers take.

The extent of the problem is difficult to pin down, partly because counterfeiters have become more subtle and partly because cosmetics, fragrance and skin care manufacturers have shied away from the publicity that taking a counterfeiting case to court would bring.

One drug chain executive summed up what other drug store and H&BA merchants told *Drug Store News* when asked whether they had ever gotten burned by inadvertently taking in a counterfeit cosmetic or fragrance: "It has never happened to us, but it is possible. It's very difficult to control."

Above all, they said, "Know whom you're dealing with."

Revlon recently became the first manufacturer to win punitive damages—$500,000—in a cosmetics counterfeiting case involving Revlon's Eterna 27 (6 ounce). In a civil suit filed in U.S. District Court, Eastern District of New York, a jury found 13 individuals and their companies guilty of either counterfeiting, selling or offering for sale thousands of dollars worth of purported Revlon product.

Two defendants, Heaven Scent Cosmetics Ltd. of Brooklyn, N.Y., and its principal, Judith Freier, must pay punitive damages, based on the finding that they manufactured and sold counterfeit Revlon products "willfully, intentionally and with callous disregard for Revlon's trademark rights."

The other 11 defendants are Cosmetics Plus Fifth Ave. Ltd. and principals Kenneth Schwartz and Joel Steinberg; Bracha Export Corp.; McSherry Ltd. and principals David and Hedy Friedman; Cosmetics Plus East Ltd.; Cosmetics Plus Seventh Ltd.; and RTD Distributors and principal Robin Bartosh. They were found to have bought or sold the product, but the jury did not find they had acted intentionally. They and Heaven Scent and Freier must pay conpensatory damages.

The suit involved the registered trademarks "Revlon," "Eterna 27" and "progenitin," a component of the cream.

The counterfeiting scheme was nationwide in scope, Revlon said. Product components were made in several states, reaching from California to Massachusetts; assembled in

See **Counterfeiters** *page 37*

NEWS IN BRIEF

Publix branches out of Florida

LAKELAND, Fla. — After catering exclusively to Floridians for 60 years, supermarket dynamo Publix will expand out of the state, with the planned opening of two stores in Georgia.

The first will be a 48,000-square-foot Publix Food and Pharmacy in Kingsland, Ga.; the second, a 65,000-square-foot store, which Publix terms a "new prototype" to include pharmacy, in Savannah. Construction hasn't yet begun on either store. Of its 370 supermarkets, 28 have pharmacies. Of 20 more stores now under construction, 13 will have pharmacies, a spokesman said.

Publix said both stores will employ Presto! automatic teller machines, and Presto! electronic payment systems at the checkout.

Harris lands $70 M Yankee account

SOLON, Ohio — Harris Wholesale Co. has struck an agreement worth $70 million with Yankee Alliance, a hospital buying group in the Northeast. The 36-month contract will bring Harris "a significant amount of business in New England and western New York," said Yankee Alliance spokesman James Oliver.

Karp adds Moore ceo duties

NEW BRITAIN, Conn. — Mark E. Karp, president of Moore Medical Corp., will become ceo on Jan. 1, 1991, and continue as chief operating officer. Jerald K. Rome will continue as chairman and ceo through Dec. 31.

Court okays Nichols financing

NEW YORK — A federal bankruptcy court has approved a $10 million financing package from Sterling National Bank & Trust Co. that will enable S.E. Nichols Inc. to continue operating during its reorganization.

Nichols, which filed for bankruptcy protection Aug. 2, runs a regional chain of deep discount super drug stores, called Pharmhouse, which were converted from discount department stores.

The loan was approved Sept. 25 by Judge Howard B. Buschman of U.S. Bankruptcy Court for the Southern District of New York.

Krelitz breaks off Eagle talks

MINNEAPOLIS — Krelitz Industries announced it has broken off talks with Eagle Drugs about the possible acquisition of Eagle by Krelitz. Krelitz is an independent drug wholesaler serving the upper Midwest. It also distributes genral merchandise and develops and markets computerized management systems.

Wellby's 39th store bows

SCARBOROUGH, Maine — Wellby Super Drug Stores recently opened its 39th store—the 32nd in Maine—in Kennebunk on Route 1.

"This location will expand our service in the south coastal region of Maine, closing the gap between the Wells and Biddeford stores," said Wellby vp Margaret Urquhart.

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Civil recovery claims help offset chains' security costs

SECURITY
STRATEGY

By David Vaczek

Shoplifting is becoming more expensive—for the shoplifters.

Thanks to state civil recovery laws, retailers can often collect from pilferers caught in the act penalties many times the value of damages and stolen goods. What's more, store managers, under these statutes, don't have to spend hours in court.

Not surprisingly, civil recovery has become an integral part of loss prevention programs at some drug chains; it saves managers time and brings in income through collected penalties.

Among its biggest fans: Pay Less NW, Longs, Eckerd and Rite Aid.

Time, expense a problem

But civil recovery isn't universally applauded by retailers, some of whom don't want the expense and labor of pursuing this area of loss control. Yet, as civil recovery laws have spread—37 states have laws today—more drug chains are testing programs.

Continued on page 6

Alco Health Services awarded five-year, $500M HCA account

MARLVERN, Pa. — Alco Health Services Corp. signed a five-year, $500 million primary agreement this month with Hospital Corporation of America (HCA), a contract Alco considers particularly significant because of its length, a spokesman said.

"Contracts of this length are very rare," said Heidi Klein, an Alco spokesman. "Usually a hospital corporation signs a one-year contract. It shows that Alco is doing a significant job for HCA, with which it has been doing business." Alco had been providing pharmaceuticals to about half of HCA's hospitals.

The contract, effective immediately, makes Alco the primary source for HCA's 78 affiliate hospitals in 17 states across the country. The acute-care general hospitals are mainly located in larger cities.

Established in 1968 in Nashville, Tenn., HCA was the first publicly owned hospital management company, but is now privately owned.

HCA vp Joseph D. Moore said, "We are confident in Alco Health Services Corporation's ability to deliver quality product and dependable service as a primary supplier over the next five years."

Alco operates in 30 states, mainly east of the Missouri River.

FoxMeyer's Bob King is king of the here and now

Bob King
Hands firmly on the present

By Elizabeth Richardson

DALLAS — Bob King, president and ceo of FoxMeyer Drug Co., revels in the present—telephone calls, conversation with staff, and tackling matters at hand, rather than worrying about what's ahead.

That's probably a smart tack, given the considerable changes that could occur at FoxMeyer over the next year. The nation's No. 3 wholesaler is on the auction block, without an ardent suitor so far. *(See* Inside Pharmacy *profile, p. IP22, part of the Wholesaler Annual Report.)*

"Until I became president and ceo, I never really did a whole lot of thinking about the future, planning and strategy," he explains. "I've always been the type of person who likes to be at the controls and heart of an operation—to dial the dials and pull the levers," he explains. "I'll get in my car every morning for my commute and start talking on the phone and see what's going on."

This hands-on approach has paid off. After two years of King's being at the helm, FoxMeyer operating income has jumped to $38.1 million annually from $7.3 million in fiscal 1988. Apparently, King has brought a more critical assessment of major accounts viability to FoxMeyer.

"When Bob came in [as ceo], FoxMeyer was experiencing some bad times," Gerald Heller, president of May's Drug Stores, told *Drug Store News*. "But every quarter he has improved the bottom line of the company. Bob plans ahead with equipment, facilities and people, but his record speaks of that day-to-day, hands-on operational style," he added.

FoxMeyer's management style has changed since King took over from Bill Tauscher, who was a leading force behind the wholesaler's jump into the national market. "Bill Tauscher is still a very good friend of mine and I owe him a

See **King,** *page 37*

McK stakes 10% in Dutch wholesaler

SAN FRANCISCO — Staking a claim in the growing and consolidating European pharmaceutical distribution industry, McKesson Corp. announced it has acquired a 10-percent equity interest in N.V. Medicopharma, a wholesaler based in the Netherlands.

McKesson said it has the option to increase its equity position over the next two years. Medicopharma, primarily a pharmaceutical wholesaler serving the Netherlands and the United Kingdom, manufactures and markets a line of related health care products in the United States through Medicopharma Inc. and Pennex. It is also engaged in veterinary wholesaling and production and in supplying dental products in some European markets.

Medicopharma acquired the pharmaceutical wholesale distribution business of Macarthy PLC in the U.K. in August, and earlier acquired Butler Pharmaceuticals, a regional British pharmaceutical distributor.

In February, McKesson acquired a 50-percent equity interest in Medis Health and Pharmaceutical Services of Canada; it will acquire the balance by February 1993.

Leading H&BA brands are dominant in drug stores

PRODUCT TRACKING

ALAN MILLER

In 15 of the 57 health and beauty aids categories tracked by Arbitron/SAMI, the dollar share of the top three brands in food stores topped 80%, during the 52 weeks ended July 13, 1990. In drug stores, the leading brand share level surpassed 80% in just five categories.

This special report on dominance also shows higher private label share penetration in H&BA categories in drug stores than in food stores. For all H&BAs combined, private labels account for just under 5% of total dollar volume in food stores, but 9.3% in drug stores. There are 19 H&BA categories in which the drug store dollar share exceeds 10%, but only seven in food stores. Obviously, private label strength in drug stores adversely affects the performance of the top three brands in many H&BA categories.

The top three brands accounted for all sales movement in food and drug outlets in the low-volume proprietary tranquilizer category. The dominant brand share among chest rubs exceeded 90% in both food and drug stores. But in the case of deodorant and talcum powders, the three leading brands accounted for 95.8% of food store volume—but was far lower in drug stores at 71.1%.

In three other categories, the top three brand share in food stores is 20 or more points higher than their achievement in drug stores: sleeping aids (+29.9%), nursing supplies (+22.2%) and pre-shave lotions (+21.3%). Two primary reasons: in general, leading brand dominance is higher in food stores, and greater space constraints in food stores. Drug stores often sell a greater variety of H&BAs.

Among baby needs, the top three brands' share was higher in food stores than drug stores in three out of four categories. Infant clothes was the sole category where leading brands had higher strength in food versus drug stores. This was also the category with a higher, albeit small, share penetration level for food stores vis-a-vis drug stores. In food stores, the highest share level for private labels among food stores was the 15.3% share for baby oils, creams and lotions. In drug stores, the top category of baby needs for store brands was the 20.2% penetration among baby powders.

Among seven oral hygiene categories tracked by SAMI, the top three brand share levels were higher in food stores in each. Except for dental aids where dental flosses are the most important product classes, private label share levels are higher in drug stores than food.

It is generally true that there are more brands and items of proprietary remedies in drug stores than food stores. In all fourteen H&BA proprietary remedy categories monitored by SAMI, the top three brands are more dominant in food stores than drug stores. There is only one product category where the private label dominance in food stores exceeds the level at drug: natural vitamins, minerals and supplements (34.8% vs. 32.7%).

In four categories of shaving needs, the top three brand share is higher in food stores than in drug. In each instance, the private label performance is stronger in drug stores than in food.

Health & beauty aids categories with highest domination of top three brands in food stores, compared with top three brand drug store dollar shares

(Year ending July 13, 1990)

Category	Food store top 3 brand share	Drug store top 3 brand share	Share dif. food vs. drug
Tranquilizers	100.0%	100.0%	—
Chest rubs	98.6	91.7	6.9%
Deodorant & talcum powder	95.8	71.7	24.7
Breath fresheners	95.5	89.3	6.2
Personal lubricants	94.6	74.7	19.9
Pre-shave lotions	93.9	72.6	21.3
Sleeping aids	91.2	67.9	23.3
Feminine douches/washes/powder	91.1	82.0	9.1
Feminine hygiene deodorants	89.2	69.9	19.3
Infant clothes	87.5	89.6	(2.1)
Appetite suppressants	87.3	74.9	12.4
Denture cleaners	86.6	73.3	13.3
Baby powders	83.0	73.9	9.1
Nursing supplies	82.4	60.2	22.2
Dental aids	81.2	66.9	14.3

Source: Arbitron/SAMI

Health & beauty aids categories with highest private label dollar share in drug stores, compared with food store private label penetration

(Year ending July 13, 1990)

Category	Drug store private label share	Food store private label share	Share dif. food vs. drug
Thermometers	38.8%	8.5%	30.3%
Nat. vitamins, minerals, supplements	32.7	34.8	(2.1)
Synthetic vitamins	31.3	28.6	2.7
First aid products	22.1	19.1	3.0
Baby powders	20.2	13.9	6.3
First aid antiseptics	20.0	10.5	9.5
Baby oils, creams, lotions	19.9	15.3	4.6
Sleeping aids	15.4	1.3	14.1
Internal analgesics	15.1	8.5	6.6
Dental aids	14.7	15.9	(1.2)
Cough remedies	13.5	5.5	8.0
Laxatives & stool softeners	13.5	6.3	7.2
Denture cleaners	12.7	3.4	9.3
Cold remedies	12.6	5.9	6.7
Toothbrushes	11.8	5.0	6.8
Feminine douches, washes, powders	11.6	4.8	6.8
Mouthwash	11.1	6.8	4.3
Personal lubricants	10.5	1.2	9.3
Deodorant & talcum powder	10.1	2.0	8.1

Source: Arbitron/SAMI

Dollar share comparison of top three H&BA brands and private label dollar share, food vs. drug stores

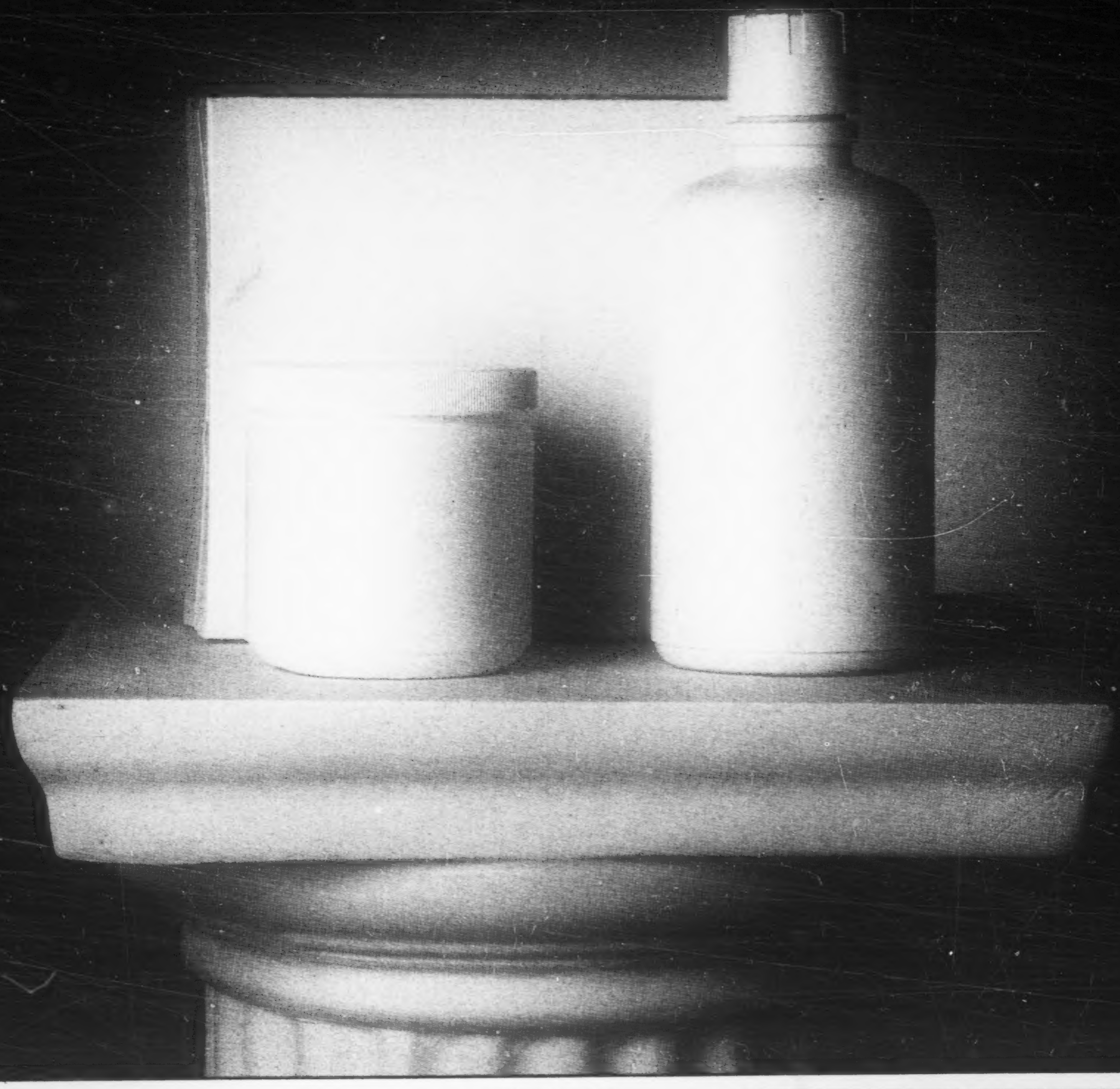
(Year ending July 13, 1990)

	Food stores		Drug stores	
	Top 3 brand dollar share	Private label share	Top 3 brand dollar share	Private label share
Baby powders	83.0%	13.9%	73.9%	20.2%
Baby oils, creams lotions	61.8	15.3	52.0	19.9
Infant clothes	87.5	0.6	89.6	0.2
Nursing supplies	82.4	0.4	60.2	1.3
Contraceptives	57.4	0.0	51.4	0.0
Personal lubricants	94.6	1.2	74.7	10.5
Home testing kits	62.0	0.0	57.1	0.0
Thermometers	67.8	8.5	45.6	38.8
Spray deodorants	52.4	0.2	43.7	1.7
Roll-on deodorants	53.4	1.0	50.2	2.2
Stick deodorants & pads	40.6	0.8	37.5	2.1
Cream deodorants	79.3	0.0	63.6	0.0
Deodorant & talcum powder	95.8	2.0	71.1	10.1
Feminine hygiene deodorants	89.2	0.0	69.9	4.5
Foot deodorants & athl. foot rems.	70.4	0.5	61.9	6.7
Feminine douches, washes, powder	91.1	4.8	82.0	11.6
First aid antiseptics	37.2	10.5	26.4	20.0
First aid products	54.7	19.1	31.3	22.1
Elastic goods & dressings	65.6	0.1	66.1	1.9
Shampoo	29.2	2.3	23.4	3.4
Hair spray	30.5	0.7	25.8	1.3
Hair conditioning rinses	26.4	1.5	17.7	1.4
Hair setting needs	31.1	0.4	30.5	0.9
Home permanent kits	67.5	0.0	55.6	0.8
Hair coloring	51.6	0.0	31.8	0.1
Hair dressing needs	36.4	0.2	27.3	1.5
Toothpaste & powder	46.3	0.6	43.0	2.1
Mouthwash	66.6	6.8	55.6	11.1
Breath fresheners	95.5	0.6	89.3	7.7
Denture cleaners	86.6	3.4	73.3	12.7
Denture adhesive	73.7	0.1	52.3	0.7
Toothbrushes	55.5	5.0	46.2	11.8
Dental aids	81.2	15.9	66.9	14.7
Antacids	43.7	2.4	31.7	6.4
Internal analgesics	56.0	8.5	47.6	15.1
External analgesics	59.8	0.8	44.7	5.4
Cold remedies	27.8	5.9	22.6	12.6
Nasal spray/drop/inhaler	60.7	6.6	53.7	11.6
Chest rubs	98.6	1.4	91.7	8.3
Cough remedies	51.5	5.5	36.5	13.5
Laxatives & stool softeners	60.4	6.3	34.3	13.5
Sleeping aids	91.2	1.3	67.9	15.4
Tranquilizers	100.0	0.0	100.0	0.0
Eye care products	55.5	1.5	54.0	4.1
Appetite suppressants	87.3	3.2	74.9	6.5
Synthetic vitamins	28.0	28.6	22.9	31.3
Natural vitamins, minerals, supps.	43.0	34.8	34.4	32.7
Shaving creams	60.8	0.6	53.0	2.1
Pre-shave lotions	93.9	2.2	72.6	11.8
Aftershave lotions	58.9	1.4	37.5	3.9
Razor blades	32.4	5.3	26.5	8.1
Hand & body creams/lotions	40.4	3.0	31.0	4.2
Facial preparations	56.4	1.1	38.7	3.2
Lip care products	77.7	0.5	59.4	4.4
Suntan lotion/suntan oil	53.4	2.0	39.4	8.4
Cosmetic & medicated skin aids	37.2	1.9	19.6	6.0

Source: Arbitron/SAMI

DRUG ST℞RE NEWS

1990 Triple A products earn their laurels



By Susan Ball

Triple A products are the thoroughbreds of drug store merchandise. They have earned their place on Drug Store News' *1990 Triple A product charts because of their track records in dollar sales and unit movement over the past year.*

But whether it's the Triple Crown or Triple A, it takes a lot more than quality raw material to beat the competition. Top performances in both worlds result from the melding of several factors, including handling and grooming, the break from the starting gate and the ride down the track.

Manufacturers dominate the first two stages, developing and making the products and ushering them to market. Once new products leave the starting gate, however, retailers take the reins, jockeying for position and exploiting any openings they find as they race for the winner's circle.

Drug store retailers generally don't see themselves as playing a major role in cre-

Continued on page 26

The 100 Hottest Health & Beauty Aid Items

(Ranked by unit volume)

Rank	Product name	Rank	Product name
1.	Fleet Enema	*51.*	Tylenol Tablets Extra Strength 100s
2.	Advil tablets 24s	*52.*	Listerine 6 oz.
3.	Bausch & Lomb Saline Sensitive Eye 12 oz.	*53.*	Crest Tartar Control Gel 6.4 oz.
4.	Robitussin DM 4 oz.	*54.*	Nyquil 6 oz.
5.	Rolaids Antacids 3s	*55.*	Rolaids Spearmint 3s
6.	Tums 3s	*56.*	Mylanta II 12 oz.
7.	Carmex Lip Ointment .25 oz.	*57.*	Neosporin Ointment .5 oz.
8.	Tums Flavors 3s	*58.*	Close-Up Gel 6.4 oz.
9.	Tylenol Caplets Extra Strength 24s	*59.*	Vaseline Lip Therapy
10.	Mylanta Antacid 12 oz.	*60.*	Afrin Nasal Spray .5 oz.
11.	Alka Seltzer Plus 20s	*61.*	Crest Reg. 6.4 oz.
12.	Benadryl Allergy Caps 25mg 24s	*62.*	Tylenol Tablets Extra Strength 60s
13.	Blistik Lip Balm stick	*63.*	Ultra Slim Fast Strawberry 14 oz.
14.	Chapstick reg.	*64.*	Tylenol Gelcaps Extra Strength 24s
15.	Tylenol Caplet Extra Strength 50s	*65.*	Imodium A-D 2 oz.
16.	Advil tablets 50s	*66.*	BIC Shavers Sensitive 5s
17.	Colgate toothpaste 7 oz.	*67.*	Robitussin CF 4 oz.
18.	Crest Tartar Control 6.4 oz.	*68.*	BIC Shavers 5s
19.	Tylenol Tabs Extra Strength 30s	*69.*	Blistex .21 oz.
20.	Ultra Slim Fast Chocolate 14 oz.	*70.*	Colgate Tartar Control Paste 6.4 oz.
21.	AoSept Disinfecting Solution 12 oz.	*71.*	Crest Toothpaste 4.6 oz.
22.	B&D Cotton Swabs 100s	*72.*	Pepto Bismol 4 oz.
23.	Fixodent Dental Adhesive 2.5	*73.*	Robitussin DM 8 oz.
24.	Rolaids Antacid 12s	*74.*	Tylenol Tablets Chewable 30s
25.	Sudafed tablets 24s	*75.*	Benadryl Elixir 4 oz.
26.	Q Tips 300s	*76.*	Crest Tartar Control Gel Mint 4.6 oz.
27.	Tums Extra Strength 3s	*77.*	Tylenol Gelcaps Extra Strength 50s
28.	Listerine 32 oz.	*78.*	Colgate Toothpaste 5 oz.
29.	Slim Fast Chocolate 15 oz.	*79.*	Robitussin DM Single Dose 6s 10 ml.
30.	Plax Mint 16 oz.	*80.*	Rolaids Cherry 3s
31.	Tums Extra Strength Cherry 3s	*81.*	Slim Fast Strawberry 15 oz.
32.	Tylenol Child Drops .5 oz.	*82.*	Gillette Good News 5s
33.	Plax Reg. Flavor 16 oz.	*83.*	Oil of Olay 4 oz.
34.	Listerine 12 oz.	*84.*	Arm & Hammer Dental Care 5 oz.
35.	Dimetapp Elixir 4 oz.	*85.*	Gillette Good News 10s
36.	Maalox Plus tablets 3s	*86.*	Tampax Super 40s
37.	Aqua Net Extra Super Hold 9 oz.	*87.*	Aqua Net Unscented Super Hold 9 oz.
38.	Visine Drops 15 cc.	*88.*	Rave Hair Spray Ultimate Hold Unscented 7 oz.
39.	BIC Shavers 10s	*89.*	AoSept Disinfecting Solution 8 oz.
40.	Crest Tartar Control 4.6 oz.	*90.*	Alka Seltzer Plus 36s
41.	Centrum vitamins 130s	*91.*	Vicks Formula 44D 4 oz.
42.	Slim Fast Chocolate Malt 15 oz.	*92.*	AoDisc Replacement Catalyst
43.	Blistex ointment .25 oz.	*93.*	Fixodent 1.5 oz.
44.	Bayer Aspirin Child 36s	*94.*	Correctol Tabs
45.	BIC Shavers Sensitive 10s	*95.*	Maalox 12 oz.
46.	Mennen Speed Stick Reg. 2.5 oz.	*96.*	Gillette Sensor Blades 5s
47.	Q Tips 54s	*97.*	Barbasol Reg. 11 oz.
48.	Tylenol Caplets Extra Strength 100s	*98.*	Summer's Eve Disp. Douche 4.5 oz.
49.	Advil Caplets 24s	*99.*	Scope Peppermint 1.5 oz.
50.	Maalox Plus Cherry tablets 3s	*100.*	Slim Fast Vanilla 15 oz.

Source: *Drug Store News* research

The 100 Hottest Health & Beauty Aid Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1.	Ultra Slim Fast Chocolate 14 oz.	*51.*	Gillette Sensor Blades 5s
2.	AoSept Disinfecting Solution 12 oz.	*52.*	Nyquil 10 oz.
3.	Centrum 130s	*53.*	Boston Cleaner 1 oz.
4.	Tylenol Caplets Extra Strength 100s	*54.*	Bausch & Lomb Renu 12 oz.
5.	Ultra Slim Fast Vanilla 14 oz.	*55.*	Plax Mint 16 oz.
6.	Tylenol Tablets Extra Strength 100s	*56.*	Efferdent Tablets Extra Strength 96s
7.	Advil Tablets 50s	*57.*	Plax Reg. 16 oz.
8.	Robitussin DM 4 oz.	*58.*	Ecotrin Tablets 100s
9.	Ultra Slim Fast Strawberry 14 oz.	*59.*	Allergan Lens Plus 12 oz.
10.	Tylenol Caplets Extra Strength 50s	*60.*	Ciba Vision Saline Aerosol 12 oz.
11.	Advil Tablets 24s	*61.*	Ex-Lax unflavored pills 8s
12.	Theragran M Vitamins 130s	*62.*	Bayer Aspirin 100s
13.	Advil Tablets 100s	*63.*	Anacin Reg. 100s
14.	Benadryl Allergy Capsules 25 mg 24s	*64.*	Tylenol Elixir Cherry 4 oz.
15.	Listerine 32 oz.	*65.*	Excedrin 100s
16.	Mylanta II 12 oz.	*66.*	Imodium Liquid A-D 4 oz.
17.	Tylenol Caplets Extra Strength	*67.*	Listerine 12 oz.
18.	Alka Seltzer Plus 20s	*68.*	Mineral Ice Gel 8 oz.
19.	AoSept Disinfecting Solution 8 oz.	*69.*	Advil Caplets 50s
20.	Fixodent Tube 2.5 oz.	*70.*	Robitussin CF 4 oz.
21.	Mylanta Antacid 12 oz.	*71.*	Advil Caplets 24s
22.	Oil of Olay 4 oz.	*72.*	Correctol Tablets 30s
23.	Tylenol Drops .5 oz	*73.*	Neosporin ointment 1 oz.
24.	Tylenol Tablets Extra Strength 60s	*74.*	Nyquil Cherry 6 oz.
25.	Bausch & Lomb Saline Sensitive Eyes 12 oz.	*75.*	Tylenol Gelcaps Extra Strength 24s
26.	Advil Tablets 250s	*76.*	Visine Drops 15 cc
27.	First Response Pregnancy Test	*77.*	Tylenol Tablets 100s
28.	Robitussin DM 8 oz.	*78.*	Pepto Bismol 16 oz.
29.	Tylenol Gelcaps Extra Strength 100s	*79.*	Q Tips 300s
30.	Dimetapp Elixir 4 oz.	*80.*	Maalox Plus 12 oz.
31.	Tylenol Caplets Extra Strength 24s	*81.*	Metamucil 14 oz.
32.	Slim Fast Chocolate 15 oz.	*82.*	Tylenol Tablets Chewable 30s
33.	Tylenol Gelcaps Extra Strength 50s	*83.*	Vicks Formula 44D 4 oz.
34.	Boston Conditioner 4 oz.	*84.*	Afrin Nasal Spray 1 oz.
35.	Sudafed Tablets 24s	*85.*	B&D Cotton Swabs 100s
36.	Nyquil 6 oz.	*86.*	Sudafed Tablets 48s
37.	Alka Seltzer Plus 36s	*87.*	Colgate Toothpaste 7 oz.
38.	Fleet Enema 4.5 oz.	*88.*	Gillette Good News 10s
39.	Trojan-Enz Lub 12s	*89.*	Maalox Liquid 12 oz.
40.	Afrin .5 oz.	*90.*	Bausch & Lomb Sens. Eyes Daily Cleaner 30ml
41.	Benadryl Elixir 4 oz.	*91.*	Benadryl Capsules 25 mg 48s
42.	Imodium A-D 2 oz.	*92.*	Crest Tartar Control 6.4 oz.
43.	Tylenol Tablets Extra Strength 30s	*93.*	Scope Mint 24 oz.
44.	Oil of Olay 6 oz.	*94.*	Today Sponge 3s
45.	Slim Fast Chocolate Malt 15 oz.	*95.*	Alcon Opti-Clean II 20 cc
46.	Tampax Super 40s	*96.*	Pepto Bismol 8 oz.
47.	AoDisc Replacement Catalyst	*97.*	Dimetapp Extentabs 12 Hour 12s
48.	Slim Fast Strawberry 15 oz.	*98.*	Mennen Speed Stick Reg. 2.5 oz.
49.	Neosporin Ointment .5 oz.	*99.*	Chloraseptic Mouthwash 6 oz.
50.	Tampax Reg. 40s	*100.*	Night of Olay 1.7 oz.

Source: *Drug Store News* research

The 100 Hottest General Merchandise Items

(Ranked by unit volume)

Rank	Product name	Rank	Product name
1.	Duracell AA 2-pack	51.	Kleenex dispenser 130s
2.	Kodak Gold 200 GB135-24	52.	Kodak AA 2-pack
3.	Eveready Energizer AA 4-pack	53.	Downy fabric softener 64 oz.
4.	Reynolds Wrap 25 sq. ft.	54.	Kleenex Boutique 95s
5.	Kodak Gold 100 GA135-24	55.	Eveready Energizer 9 volt
6.	Scotch VHS tape T-120EG	56.	Kleenex Little Traveler 65s
7.	Jergens bar soap	57.	Eveready Energizer AAA 2-pack
8.	Kodak Gold 200 GB110-24	58.	Fuji Super HR 100 CN110-24
9.	Comet cleanser powder 14 oz.	59.	Palmolive dishwashing det. lemon-lime 22 oz.
10.	Arm & Hammer baking soda 16 oz.	60.	Eveready Super Heavy Duty AA 4-pack
11.	Ajax cleanser powder 14 oz.	61.	Charmin bath tissue 6-roll
12.	Stuart Hall themebook 40-count college ruled	62.	Oxford ruled white 3″ x 5″ index cards 100s
13.	Irish Spring green soap	63.	Duracell AA 8-pack
14.	Diamond Foil standard 25 sq. ft.	64.	Kleenex tissue asst. 250s
15.	Mead envelopes legal size 50s	65.	Dawn liquid dish det. 22 oz.
16.	Eveready Energizer AA 2-pack	66.	Ivory bar soap 8-pack
17.	Faber pencils no. 2 10s	67.	Eveready Super Heavy Duty AA 8-pack
18.	Dove white soap	68.	Cascade powder dishwasher det. 50 oz.
19.	Stuart Hall themebook 40s wide ruled	69.	Reynolds plastic wrap colors
20.	Duracell AA 4-pack	70.	Faber pink eraser
21.	Ajax liquid dish det. 22 oz.	71.	Tide regular 39 oz.
22.	Fuji Super HR 100 CN135-24	72.	3M Scotch clear tape .5″x 500″
23.	Polaroid videotape T-120	73.	Tide w/bleach 39 oz.
24.	Mead Color Talk portfolio	74.	Faber cap erasers 5s
25.	Cashmere bar soap	75.	Bowl Fresh deodorant 3 oz.
26.	Clorox bleach regular gal.	76.	Kleenex softique 95s
27.	Kodak videotape T-120	77.	Wisk liquid 64 oz.
28.	Eveready Energizer D 2-pack	78.	Duracell D 4-pack
29.	Caress body bar	79.	Tide w/bleach 67 oz.
30.	TDK video Hi-Std VHS T-120	80.	Kodak Gold 400 GC135-24
31.	Duracell D 2-pack	81.	Stuart Hall "clean scene" theme
32.	Mead brief folders 100s	82.	Clorox bleach fresh scent gal.
33.	Fuji Super HG 200 CA135-24	83.	Northern bath tissue 6-roll
34.	Brawny paper towels assorted	84.	Elmers Glue All 4 oz.
35.	Memorex video HS Hi-Std T-120	85.	Meadpocket folio 11x8
36.	Mead Peechee Portfolio	86.	Kodak AA 4-pack
37.	Maxell video VHS	87.	Kodak Gold 200 GB135-36
38.	Eveready Energizer C 2-pack	88.	Mead Garfield portfolio
39.	Purex bleach liquid gal.	89.	Polaroid 600 Plus 2-pack
40.	Duracell C 2-pack	90.	Carters Mark-A-Lot black
41.	Reynolds Wrap standard 25 sq. ft.	91.	Dove liquid dish det. 22 oz.
42.	Eveready Energizer AA 8-pack	92.	Sunlight liquid dish det. 22 oz.
43.	Ivory bar soap 4-pack	93.	Joy liquid dish det. 22 oz.
44.	Duracell 9 volt	94.	Mead envelopes legal size 50s
45.	Faber zip pouch 9.5″ x 6″	95.	Kodak Gold 100 GA135-36
46.	Polaroid 600 Plus single	96.	Kodak Gold 400 GC135-36
47.	Palmolive dishwashing det. 22 oz.	97.	Mead Color Talk portfolio
48.	Scotch videotape T-120 3-pack	98.	Elmers School Glue 4 oz.
49.	Dove white soap unscented	99.	Bounty Paper Towels Design
50.	Dennison Glue Stick	100.	Duracell AAA 4-pack

Source: *Drug Store News* research

The 100 Hottest General Merchandise Items

(Ranked by dollar volume)

Rank	Product name	Rank	Product name
1.	Polaroid 600 Plus 2 pack	51.	Lisa Frank trifold binder
2.	Scotch T-120 3 pack	52.	Dawn dish detergent 22 oz.
3.	Polaroid 600 Plus single	53.	Coronet bath tissue 8-roll white
4.	Kodak Gold 200 GB135-24	54.	Fuji Super HG CA135 3-pack
5.	Polaroid T-120 SG 3 pack	55.	Duracell AA 4-pack
6.	Memorex Video 3 pack HS T-120	56.	Tide w/bleach 67 oz.
7.	TDK Video Hi-Std T-120	57.	Eveready photo lithium battery 6 volt
8.	Kodak Gold 200 GB135-24 3 pack	58.	Bounce fabric softener 40s
9.	Kodak Gold 100 GA135-24	59.	Faber Castell markers 30s
10.	Kodak Gold 200 GB110-24	60.	Eveready Energizer C 2-pack
11.	Reynolds Wrap 25 sq. ft.	61.	Arm & Hammer baking soda
12.	Kodak Gold 400 GC135-24	62.	Kodak Gold 200 GB135-12
13.	Polaroid Time Zero single	63.	Dove unscented white soap
14.	Kodak Gold 100 GA135-24 3 pack	64.	Tide regular 64 oz.
15.	Kodak Videotape	65.	Ajax liquid detergent 64 oz.
16.	Kodak Gold 200 GB135-36	66.	Eveready Energizer 9 volt 2-pack
17.	Kodak Gold 400 GC135-24 3 pack	67.	Soft Soap refill 15 oz.
18.	Fuji Super HG 200 CA135-24	68.	Palmolive dish detergent 22 oz.
19.	Polaroid Spectra 2 pack	69.	All liquid detergent 64 oz.
20.	Fuji Super HR 100 CN135-24	70.	Kodachrome 64 KR135-36
21.	Tide regular 39 oz.	71.	Kleenex Boutique 95s
22.	Maxell Video VHS	72.	Duracell 9 volt 2-pack
23.	Kodak Gold 400 GC135-36	73.	Cheer 39 oz.
24.	Dove soap white	74.	Eveready Energizer 9 volt
25.	Charmin bath tissue 6-roll white	75.	Kodak Gold 100 GA135-12
26.	Fuji Super II CN135 3pk	76.	Charmin bath tissue white 4-roll
27.	Kodak Gold 100 GA135-36	77.	Ivory bar soap 8-pack
28.	Tide w/bleach 39 oz.	78.	Duracell 9 volt
29.	Kodak Disc CVR15-2	79.	Kleenex tissue asstd. 250s
30.	Faber pencils No.2 10s	80.	Kodak Gold 200 GB110-12
31.	Mead Trapper Keeper	81.	Stuart Hall "clean scene" themebook
32.	Jergens bar soap	82.	Maxell camcorder tape 8mm 2-pack
33.	Comet Cleanser powder 14 oz.	83.	Eveready Energizer AAA 2-pack
34.	Duracell AA 8-pack	84.	Maxell camcorder tape 2-pack
35.	Northern bath tissue 6-roll	85.	Duracell AAA 4-pack
36.	Downy fabric softener 64 oz.	86.	Kleenex dispenser 130s
37.	Eveready Energizer AAA 4-pack	87.	Duracell AA 2-pack
38.	Irish Spring 3-pack	88.	Duracell C 4-pack
39.	Fuji Super HR 100 CN110-24	89.	Eveready Super HD lantern battery 6 volt
40.	Wisk liquid 64 oz.	90.	Eveready lantern battery 6 volt
41.	Eveready Energizer D Super 6-pack	91.	Kleenex Softique 95s
42.	Reynolds Wrap STD 25 sq. ft.	92.	GE rechargeable AA 4-pack
43.	Diamond Foil STD 25 sq. ft.	93.	Eveready Energizer C 6-pack
44.	Polaroid Spectra single	94.	Brawny towels
45.	Stuart Hall theme book 40-count college ruled	95.	Eveready Energizer AA 4-pack
46.	Duracell D 4-pack	96.	Bounty towels design
47.	Ajax Cleanser 14 oz.	97.	Eveready photo 1.5 volt
48.	Empire pencils 20s	98.	Maxell Video VHS HGX-gold
49.	Ivory bar soap 4-pack	99.	Kleenex Pocket Pack 8s
50.	Eveready Energizer D 2-pack	100.	Lisa Frank Paperpack It

Source: *Drug Store News* research

Triple A products earn their laurels

How chain drug stores used ad space: 1990 vs. 1989*

(Percentage of space devoted to each category each month, first six months)

H&BA

	Jan.			Feb.			March			April			May			June		
Category	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg
Baby Needs	2.3%	1.9%	−17%	2.6%	1.9%	− 27%	2.1%	2.1%	0%	3.2%	1.9%	−41%	1.7%	1.9%	+12%	1.9%	2.1%	+11%
Deodorants	2.4	1.7	−29	2.0	2.0	0	2.9	2.6	−10	2.4	2.2	− 8	2.2	2.1	− 5	2.6	2.2	−15
Dental	3.1	3.5	+13	3.8	3.9	+ 3	3.7	3.0	−19	3.1	3.1	0	2.9	2.8	− 3	3.5	2.7	−23
Analgesics	2.4	2.7	+13	2.6	3.0	+ 15	2.4	3.3	+38	2.3	2.2	− 4	1.8	2.1	+17	2.8	2.2	−21
Antacids	1.4	1.2	−14	1.1	1.4	+ 27	1.1	1.4	+27	1.4	1.4	0	1.1	1.2	+ 9	1.3	1.2	− 8
Eye Care	1.9	2.4	+26	2.2	2.6	+ 18	1.9	2.1	+11	2.2	2.3	+ 5	1.7	2.1	+24	2.5	2.4	− 4
Cough/cold	6.3	5.5	−13	5.6	5.7	+ 2	3.3	4.5	+36	2.2	2.4	+ 9	1.9	2.0	+ 5	1.6	1.4	−13
Family planning	0.2	0.3	+50	0.2	0.6	+200	0.5	0.3	−40	0.4	0.7	+75	0.4	0.3	−25	0.4	0.3	−25
Feminine hygiene	2.1	1.4	−33	1.8	1.9	+ 6	1.6	1.6	0	1.1	1.3	+18	1.6	1.5	+ 6	1.6	1.7	+ 6
Skin care**	5.5	7.8	+42	5.3	6.7	+ 26	6.2	6.9	+11	7.6	7.3	− 4	8.8	8.4	− 5	9.7	7.7	−21
Diet Aids/vitamins	5.0	5.6	+12	3.9	4.5	+ 15	2.5	4.5	+80	3.2	4.0	+25	2.3	3.2	+39	1.9	2.7	+42
Home health care	2.5	3.1	+23	2.6	3.6	+ 38	3.9	4.2	+ 8	3.1	3.4	+10	3.5	3.9	+11	3.6	3.9	+ 8
First aid†	0.3	0.3	0	0.9	1.0	+ 11	0.9	1.1	+22	0.8	1.3	+63	1.3	1.7	+31	1.8	1.6	−11
Men's toiletries	1.6	2.0	+25	2.0	2.6	+ 30	1.6	2.5	+56	1.6	1.9	+19	1.4	1.4	0	4.0	3.9	− 3
Hair care	7.5	5.6	−25	8.3	5.8	− 30	8.0	6.5	−19	7.7	6.2	−19	6.5	5.7	−12	7.5	5.0	−33

*Ad activity for top 50 drug chains
**Skin care here includes lotions/creams and bar soap
†First aid here includes antibiotic ointments as well as bandages, etc.

Source: Ad Activity Marketing Services Inc., Springfield, Ill.

Continued from page 17

ating consumer demand for most products. But the way in which consumer demand is created determines how they handle many products.

For example, demand for a Triple A item such as Fleet Enema, which has topped the H&BA unit list for several years, is generated by physician recommendations and consumer practices and benefits from the aging population. The product isn't an impulse item, nor is it dependent on media support. Consequently, although it will earn a prominent position and more facings in planograms, and might be run on promotion when a deal can be cut, retailers don't merchandise and advertise it the way they would some other Triple A products.

In the case of batteries and film—two categories that dominate the top slots on the Triple A general merchandise charts—lifestyle trends are the prime force behind tremendous consumer demand. The explosion in devices requiring batteries, from electronic toys to hearing aids, has made batteries a commodity, so that being in stock on the type of battery the consumer needs is even more important to retailers than having a particular brand.

Similarly, the boom in popularity of 35mm photography has steadily fed demand for film and photofinishing services.

This year, more blank videotapes are showing up near the top of both general merchandise lists, reflecting the high percentage of U.S. households owning VCRs and the growing camcorder market. Frank Gable, Harco Drug director of sales, noted that as the price of camcorders has come down, more and more young families own them. He observed, "They chew up a lot of videotapes. Parents aren't going to tape over footage of their children growing up, so people are buying more tapes."

But consumer demand for many Triple A items is created primarily by manufacturers' marketing and advertising strategies.

The marketing of Ultra Slim Fast (chocolate), which shot to the top of this year's Triple A H&BA dollar-volume list, is a case in point.

"We retailers are the beneficiaries of manufacturers' products and marketing," observed Frank Newman, president of F&M. "We can't create consumer desire to use a product such as Slim Fast. We provide the products on which the customer has been presold."

Tim McAlear, executive vp of Pay Less, concurred: "The days of us telling customers what to buy are fading fast. They tell us what they want to buy, influenced by vendors' advertising campaigns that help create demand."

"Slim Fast gained position because it's a good product backed by a good marketing and advertising program," said Newman. "Its success has been truly astonishing. And it's the result of a brilliant marketing program by the manufacturer [Thompson Medical]—a textbook example of how to do it right."

The measured introductions, first of Slim Fast, then Ultra Slim Fast, then a water-soluble and most recently, a premixed version—all backed by a major advertising campaign that includes heavy national television exposure—has stimulated the diet aid category dramatically. And retailers have responded with merchandising and advertising strategies to heighten consumer demand.

F&M, for example, displayed Slim Fast products on promotional pallets of stacked cutcases as well as in the diet aid section. Pay Less gave Slim Fast endcap displays and advertised it in circulars.

Added Harco's Gable, "With such products, the manufacturer is spending a lot promoting it, and we try to ride along, with displays, rebates and our own advertising. The diet aids category has expanded tremendously, and now Lederle is introducing a new diet product to compete with Ultra Slim Fast—it will help the whole category."

Pharmacist recommendations are one of the most powerful influences a drug store wields in product support, particularly for OTCs and H&BAs, McAlear said. Outside of that, "we follow along with vendor promotions and give products second locations at the checkstand or on endcaps. Once in awhile, a product sells itself. But more than anything, it's having what the customer wants in stock."

He added, "What the drug store adds is assortment of sizes or related items or a complete category, which combos and discount stores can't provide. Also, convenience—customers know they can get served and get in and out fast. Customers perceive that a drug store will have H&BA and drug items; our job is to have the product, however the demand is created."

F&M's Newman maintained that retailers play a more critical role when a product is first introduced, before it has gained a following. "When consumer demand isn't

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How the study was done

Drug Store News compiled the top 100 product rankings in H&BA and general merchandise by blending warehouse movement data supplied by a group of medium- to large-sized drug chains. In the case of H&BAs, the results were then checked against rankings supplied by a leading marketing research firm. The figures represent 12 months of product movement, and generally cover the period from July 1989 through June 1990, although there were some variations in the ending dates of the chains' full-year figures.

How chain drug stores used ad space: 1990 vs. 1989*

(Percentage of space devoted to each category each month, first six months)

General Merchandise

	Jan.			Feb.			March			April			May			June		
Category	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg	'89	'90	% chg
Photo/film	1.9%	2.7%	+42%	2.3%	2.4%	+4%	2.4%	2.5%	+ 4%	2.0%	2.7%	+35%	2.6%	3.2%	+23%	3.3%	2.9%	−12%
Videotapes	1.4	1.7	+21	1.3	1.4	+8	1.3	1.1	−15	1.4	1.3	− 7	1.3	1.4	+ 8	1.1	1.1	0
Household products**	3.0	3.2	+ 7	2.6	2.7	+4	2.6	3.1	+19	2.9	3.0	+ 3	3.2	3.3	+ 3	4.3	7.7	+79
Stationery	5.8	4.4	−10	3.7	3.4	−8	1.9	2.9	+53	1.7	1.5	−12	0.5	0.9	+80	0.6	0.6	0
Cleaning Supplies	3.9	3.6	− 8	3.6	3.8	+6	3.9	4.3	+10	4.4	4.6	+ 5	2.6	3.3	+27	2.6	2.7	+ 4
Paper goods/foil	2.9	3.1	+ 7	2.9	2.7	−7	3.0	3.0	0	3.5	3.0	−14	2.9	3.3	+14	2.8	3.1	+11

*Advertising from top 50 drug chains is represented.

**Household products here includes batteries, light bulbs, other lighting products.

Source: Ad Activity Marketing Services Inc., Springfield, Ill.

Ongoing vendor support drives Triple A product status

Continued from page 26

solid, it's absolutely critical that retailers display the product in such a way that it's easily available for the consumer to see and understand it. L'Oréal's Plenitude is a good example: Had L'Oréal not been successful in persuading retailers to give the product exposure, Plenitude couldn't have been successful. The manufacturer's advertising would not have been sufficient. The retailer is most effective in aiding a product at the early stages of growth, helping to create demand."

He continued, "Once a product has caught hold, that retailer contribution isn't as important to the manufacturer."

Several retailers agreed that for a product to maintain Triple A-level performance, vendors must keep up that media exposure and breathe new life into lines via extensions.

"There is a certain amount of brand loyalty because of the efficacy of a product," said Tom Slovenkay, Rite Aid's assistant director of purchasing. "When customers find something they like, such as an eye care product, it's difficult to change them. And some products are going to be perceived as a value brand, even if they're not advertised."

However, he continued, "products are driven by the manufacturer's advertising support. If that stops, or dwindles, even if it's a great product, it will lose share."

"We're dependent on the manufacturer continuing to stimulate demand," said F&M's Newman. "If the vendor lets down and demand tapers off, we would no longer give it the promotional space but would give that space to something else. As long as the manufacturer continues with introductions and media support, we will continue to promote [a product] in stores."

Most products stay on the Triple A charts for two reasons, maintained McAlear of Pay Less: "It's a quality product, and, once people find a product they like, they are very brand loyal. In batteries, for example, there are Eveready customers and Duracell customers. It comes down to brand loyalty, which goes back to a good launch that got people to try the product in the first place."

However, he continued, "Fuji has cut into Kodak market share, and Advil has cut into Tylenol's market share because both back their products with consistent advertising campaigns. And both are good products. If their advertising keeps up, they'll continue to gain market share."

> *'We're dependent on the manufacturer continuing to stimulate demand.'*
>
> — **Frank Newman**
> president, F&M

In general, the more popular a product becomes, the lower the margin on which retailers work; thus, products on the Triple A lists are likely to be low margin. The higher margin opportunities generally lie with less popular products and with new products before they've gained popularity, retailers say.

Phil Perkins, vp-merchandising of Snyder Drug, noted, "If a product draws big traffic, you promote it more at a good price. Retailers are more willing to price a high-demand product competitively, to create a stronger price impression on the customer. Consumers tend to remember a good price on a popular item."

Rite Aid's Slovenkay said that in addition to maintaining a strong ad campaign, manufacturers need to offer the trade "good allowance programs to promote the product." Otherwise, retailers can't promote and still make a profit. Without sustained manufacturer support, the retailer may reconsider the ad space he gives that product, and if there are other brands of comparable quality, "you can start advertising them," he said.

"And many consumers will try that other brand or, increasingly, the private label product, which is becoming a major competitive brand in many categories, in terms of movement—and you can make a profit on it," Slovenkay noted.

But if vendors continue to spend against a product and provide co-op advertising and incentives for special displays, "it's self-fulfilling," said Perkins of Triple A performers. "You promote more, so you sell more, so you promote more."

STACK UP ON 35MM ONEFILM.

©1990 Polaroid Corp. "Polaroid," "OneFilm"

Polaroid introduces 35mm OneFilm in new 2-packs. Beginning this September, for a limited time, every OneFilm 2-pack will carry an instantly redeemable 50 cents off coupon. Contact your Polaroid representative or call 800-343-35MM to find out how to sell more OneFilm, two by two.

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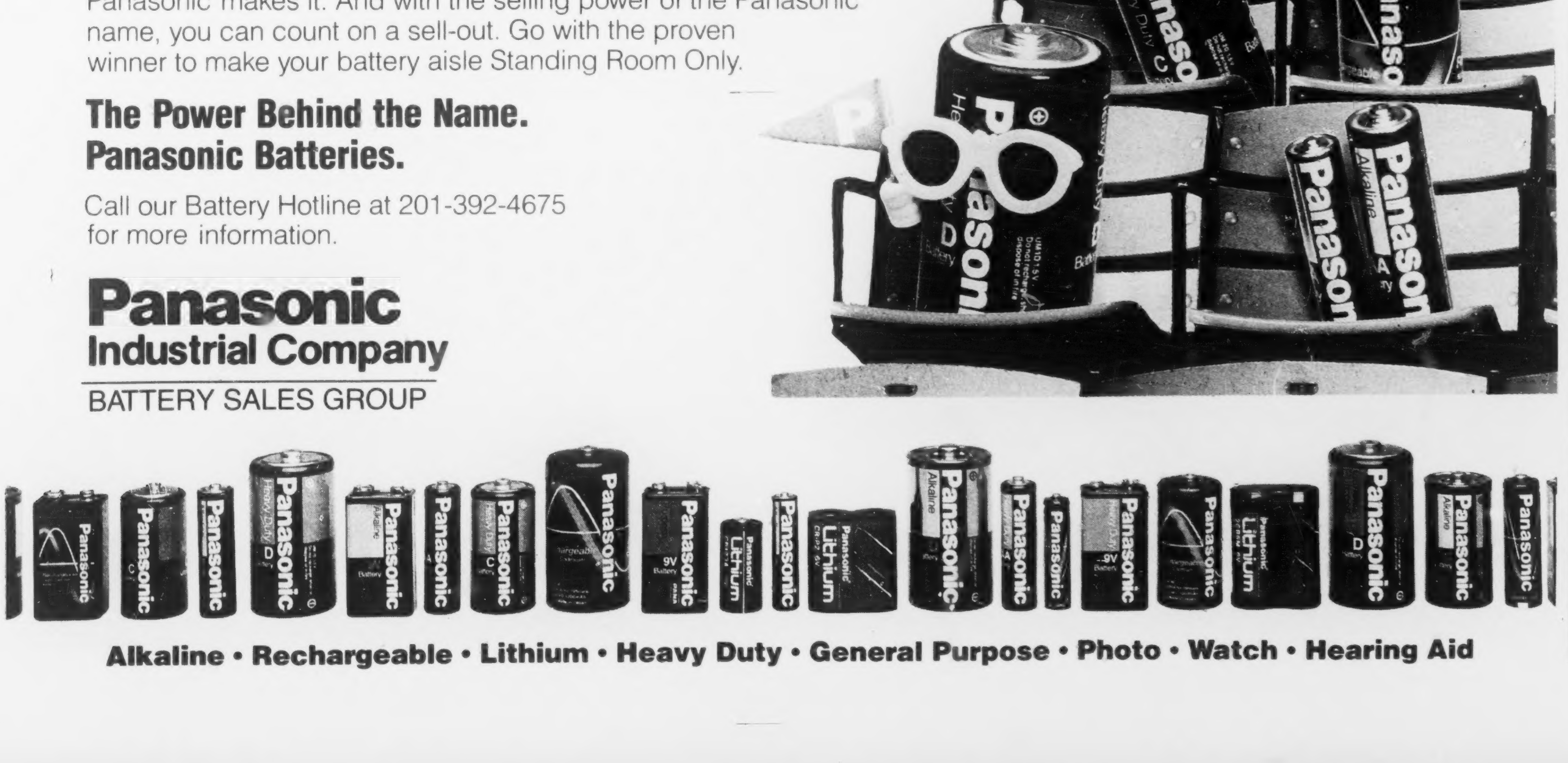
The Simple Choice. From Polaroid.



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Drug chains lubricate traffic with motor oil and antifreeze

By Paul Cockerham

Profit is not foremost on the minds of retailers when they merchandise motor oil and anti-freeze—the products are a means for lubricating traffic counts, and an opportunity to let discounted prices speak a service message, they tell *Drug Store News*.

Pricing competition, low margins and a growing body of local environmental regulations can make profits slippery. But retailers say the categories still earn a place on their shelves, presenting unique promotional, positioning and service opportunities.

According to *Aftermarket Business*, a trade publication, retail outlets sell $3 billion worth of motor oil annually. *AB* lumps drug chains together with food and hardware stores into its "non-auto channel" segment *(see chart)*, which it says pulls down 20 percent of the business annually. *Drug Store News* estimates that the chain drug industry holds anywhere from 3 percent to 6 percent, or $90 million to $180 million, of the retail market.

A shrinking market?

Part of the problem drug chains face is that quick-lube centers are apparently making inroads among do-it-yourselfers. Oil refiner Texaco notes that the current 34-percent share of the motor oil aftermarket held by quick-lube outlets is a figure that's growing at the rate of a percentage point a year.

The competitive pricing that this has engendered has made profit a secondary rationale for many retailers carrying the category. Many discount motor oil to traffic-building levels, letting the price speak a service message.

Yet some retailers feel that the retail market for oil sustains its levels, because as cars get more complicated, the basic oil change will remain a chore relished by DIYers as a rare opportunity to get their hands dirty.

"Quick lube outlets used to be a concern," noted Craig Dunn, hardware and automotive merchandiser at Oregon-based Pay Less Drug Stores, "but there still is a large DIY segment."

Pay Less stores typically give the section 12 feet, Dunn said, and Pennzoil, Havoline, Valvoline and Castrol are the best performers. The 300-store chain does about $4.5 million at cost, Dunn said, and he doesn't see any real growth in the category.

"We keep prices low and competitive," Dunn explained, adding that the chain creates a service image opportunity with the resulting traffic by posting signage in the department, telling consumers the phone numbers of their local environmental regula-

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Replacement motor oil market

(Approx. 600 million gallons annually)

Do-it-yourselfers buying oil from retailers	66%
Oil replacement centers*	34

*Oil replacement centers (i.e., quick-lube centers, are increasing their share percentage at the rate of 1% per year. Source: Texaco Refining & Marketing

Retail channel share of $3B motor oil market

Discount stores	61%
Non-auto channels (food, drug and hardware chains)	20
Auto centers	17
Department stores	2

Source: *Aftermarket Business*

We're America's #1 selling motor oil. And you can take that to the bank.

When you stock Pennzoil Motor Oil, you're carrying an oil you can bank on. On the road and in your store. That's because Pennzoil is America's best-selling motor oil. Offering high product turnover at a premium retail price. The result is higher margins and higher traffic for you and your store.

Pennzoil strongly supports its #1 position with more consumer advertising than any other brand. Plus a powerful, all new, advertising incentive program for 1991. So you can run even more ads to increase store traffic and profits.

No wonder we're America's traffic building, profit making, best-selling motor oil.

For more information, call your local Pennzoil representative. And stop by our APAA Show Booth #3547.

Ever since America learned to drive.™

World Class Protection

Customer loyalty! Retailers report **90% repeat** purchase rate.

HERPECIN-L®

Cold Sore Lip Balm. *"It Works!"*

Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Recycling law gives Mass. retailers the slip

With profit opportunities in motor oil hard to come by, chains are hoping that a Massachusetts law requiring retailers to accept the motor oil they sell for recycling does not become a fact of life elsewhere.

The 1974 statute mandates that retailers keep on site state-approved barrels for returned oil, which they can then sell to re-refiners. Discount and auto accessory outlets typically pay hundreds of dollars per store for a single barrel, and anywhere from $20 to $75 a shot for haulers to cart it away.

Enforcement of the law has only taken place in the last year, according to Miles Brown, a regional planner with Massachusetts Dept. of Environmental Protection. "The enforcement effort corresponds with increased public education activity," Brown told *Drug Store News*. "We don't see the law affecting drug, food or discount stores too heavily—the person recycling oil will tend to be an auto center customer—and other retailers will only be seeing a very small amount of oil returned to their stores."

The enforcement agenda is currently targeting larger retailers. "Unless we receive a complaint, we're not going to look at small stores for awhile," Brown stated.

When the enforcement plan was first announced, CVS was the only drug chain that informed the state it was planning to get out of the motor oil business, Brown said. "We've not heard from any of the others, and presume they're still carrying motor oil," he added.

At press time, CVS executives had not returned this newspaper's calls, but according to Gerald Weiner, president and CEO for 41-store Rix Dunnington, based in Auburndale, Mass., "I don't know of any drug retailer who carried the product in the wake of the enforcement announcement."

Rix Dunnington had carried motor oil as a convenience but since "we sold 85 percent on promotion" wasn't "making any money on it anyway," and decided to drop the segment in the wake of the state's enforcement announcement.

"It wouldn't have been very much," in terms of volumes of oil to be recycled, Weiner admits, "but the cost of compliance was too great, and too difficult to implement, throughout the chain."

New York also requires retailers to accept motor oil they sell for recycling, although enforcement of the statute is not taking place. Other states are considering passing such laws.

Motor oil lubricates chain traffic

Continued from page 29

tory agencies should they desire information on recycling motor oil.

Other retailers praise motor oil's role as a loss leader. "It is a core automotive item, and a terrific vehicle to build traffic in the automotive department," said Gary Risler, vp for I Got It At Gary's, the three-store regional discount chain in northeastern Pennsylvania. Risler merchandises high-profit impulse items near motor oil—"You simply use it as a draw," he said.

Risler moves 10 cases a week at his three stores ("business in motor oil looks flat," he said), with Quaker State and Citgo warranting mention as performers.

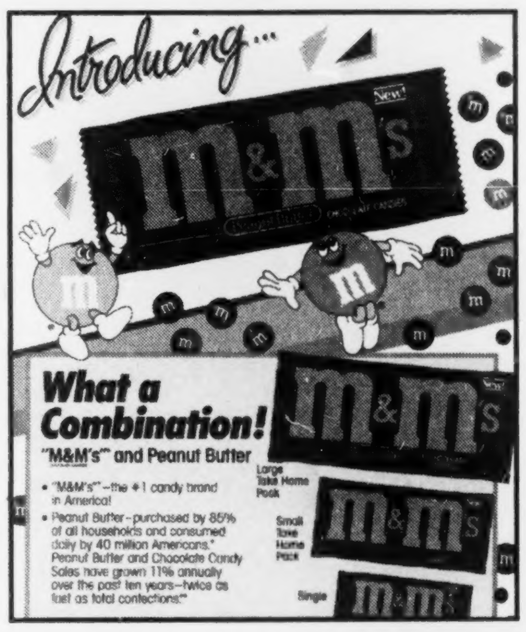
At Happy Harry's Discount Drug in Newark, Del., Tom Cutonilli, seasonal and OTC buyer, stocks only promotional motor oil, hoping he can get enough from his rack jobber (the chain's 21 stores typically stock "a couple of facings," Cutonilli said), "to carry me through to the next promotion.

"If the price merits it, I'll carry it," he explained. "We'll carry Quaker State, Sunoco or Citgo at seventy-nine, eighty-nine or ninety-nine cents the quart. But let's face it—I'm not playing with the Pep Boys here."

Cool it

Antifreeze is generally stocked year-'round by drug chains as a convenience. Craig Dunn reports Prestone and Xerex are prime movers in Pay Less's 4- to 8-foot sections; Prestone also gets a nod from Gary Risler at I Got It At Gary's, where he moves 250 cases a year. Tom Cutonilli at Happy Harry's has carried generic brands that offer customer value, both in terms of price and whether they offer aluminum engine protection; and this year has just brought in Prestone.

PRODUCT & PROMOTION UPDATE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What a Combination!
"M&M's" and Peanut Butter
• "M&M's"—the #1 candy brand in America!
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Large Take Home Pack
Small Take Home Pack
Single

Savings bond promo introduces new candy

M&M/Mars is introducing peanut butter candies, its first new flavor since 1954. The candies will debut in California, Oregon, Washington, Alaska, Hawaii, northern Idaho and western Nevada. The brand will offer a $50 U.S. Savings Bond to every baby born on Sept. 11, 1990 in these seven states. Parents can redeem the bond by sending the baby's name and a photocopy of the birth certificate along with the parent's name, address and Social Security number to: Stork Headquarters, 79 Madison Ave., Third Floor, New York, N.Y. 10016.

M&M/Mars, High St., Hackettstown, N.J. 07840.

Promotion ties Fuji in with sports events

As part of a promotion between Fuji and the National Football League, Fuji has been named the "Official Videotape of the National Football League." Fuji is also the official videotape of the upcoming Super Bowls XXV, XXVI and XXVII, the AFC-NFC Pro Bowls 1991-93, along with the 28 individual NFL member clubs.

Building on this association, Fuji is planning consumer promotions and merchandising programs, including free-standing inserts and sweepstakes.

Fuji Photo Film U.S.A., 55 Taxter Road, Elmsford, N.Y. 10523.

CLASSICS
CLASSICS
CONTROL TOP

New fabric blend gives pantyhose better fit

L'eggs has a new line called Classics, a nonsupport pantyhose with a lightweight 10-denier Lycra that provides a superior fit to 100 percent nylon pantyhose.

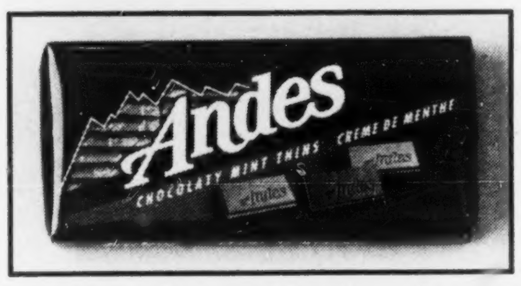
An introductory shipper will feature Classics at an introductory price of $1.69. The regular price will be $2.29 for sizes A, B, and $2.39 for size Q. Control top is priced at $2.79 for sizes A, B, and $2.89 for size Q.

The new line is packaged in a white egg with red and magenta cylinder and comes in seven shades.

L'eggs Products, P.O. Box 2495, Winston-Salem, N.C. 27102.

Chocolate boasts new price, packaging

Andes Candies is dressed for success in new packaging with two new, popular price points. The packaging incorporates a color bar beneath the Andes name that designate the flavor. Consumers can see the product through a clear cellophane window shaped like mountains.



The new 4.67-ounce, 28 piece box has a SRP of 99 cents. The new 10-ounce, 60-piece box replaces the former 6-ounce box and is available in three flavors.

Andes Candies, One Tower Lane, Oakbrook Terrace, Ill., 60181.

The Next Time You Travel...

Greeting cards for kids, adults

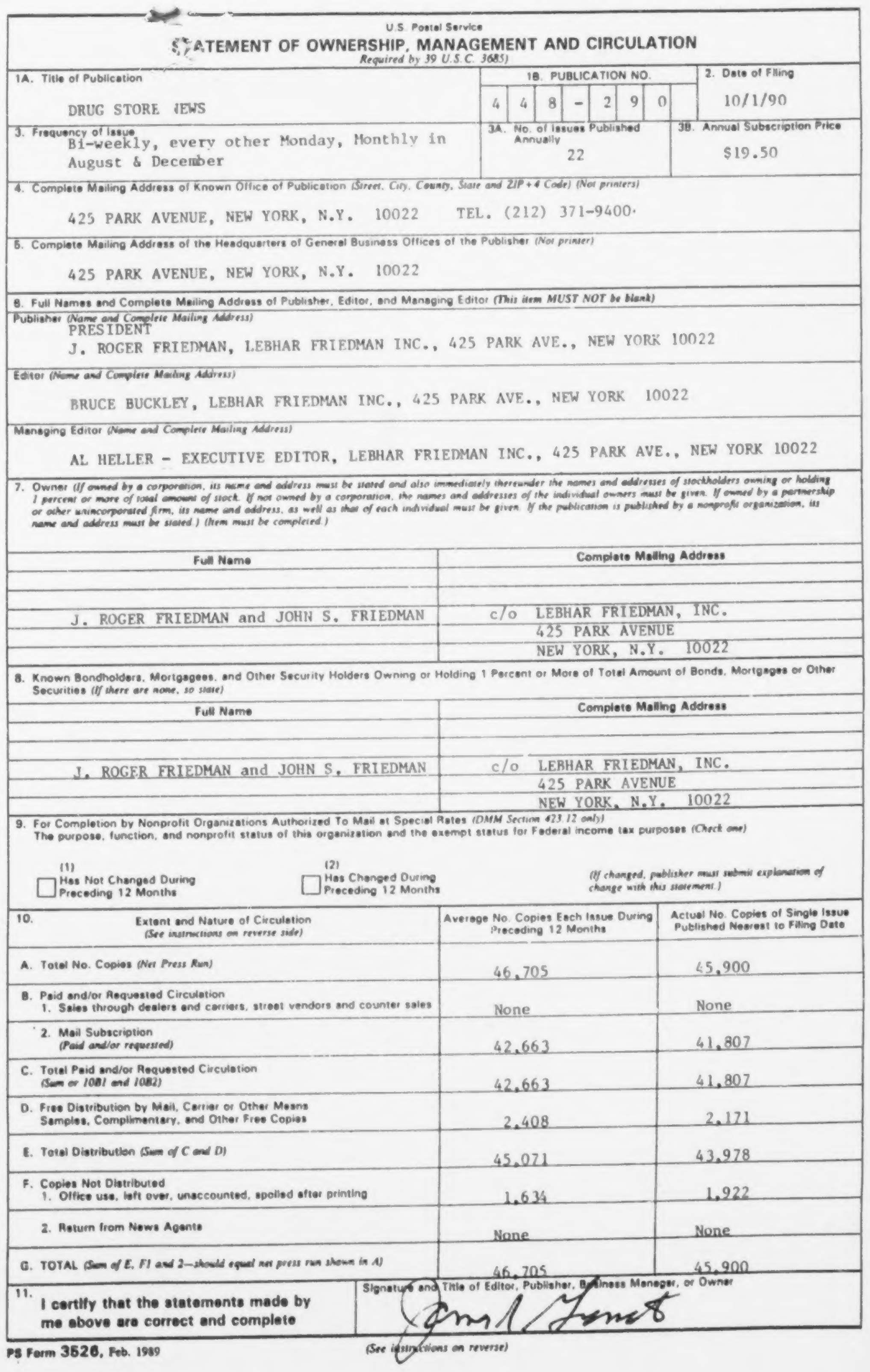
Kid Zone, by American Greetings, has a full line of cards that can be sent from adult to child, child to adult, and child to child. The cards feature pop-outs, games and stickers. The Kid Zone Keep in Touch pack has eight cards in a reclosable package.

American Greetings, 10500 American Road, Cleveland, Ohio 44144.

Fragrance system for every room

Home Essentials is a line of home fragrance products by Scentex that maximizes the scent chosen for each room and maintains that scent longer. Packaging for each product identifies the room and the chosen scent to make selection easy. The products are designed with a single fragrance for each room.

Scentex, 4545 W. Augusta Blvd., Chicago, Ill. 60651.



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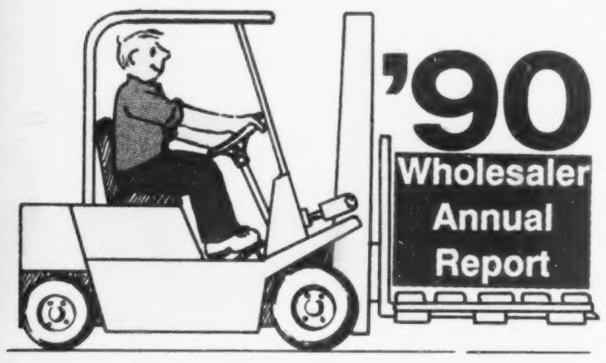
SECOND CLASS

Industry execs say drug wholesalers' future looks bright

By Elizabeth Parks

NEW YORK — Most drug wholesalers are holding on to a cautiously bright outlook for their industry despite a year that saw a dip in their overall gross margins and intense competition in certain market areas.



In Sacramento, Calif., where Amfac's growth is outpacing that of the industry as a whole, president Mel Whitmire says that even though NWDA reported another decline in gross margins, he considers 1990 "a good year overall."

Although Whitmire thinks the industry is basically healthy, he says areas like manufacturer and customer needs, and competition "need to be addressed."

"There are ways we need to better service our customers as well as the manufacturers," says Whitmire, "so we all operate more efficiently."

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Inside

FEATURES

The 1990 Wholesaler Annual Report takes an in-depth look at the drug wholesaling industry . 1

10 What does the aging process and the thyroid gland have in common? IP's Healthtalk column has the answer.

Four of every 1,000 women are hospitalized annually for endometriosis. The C.E. lesson discusses the problem. 43

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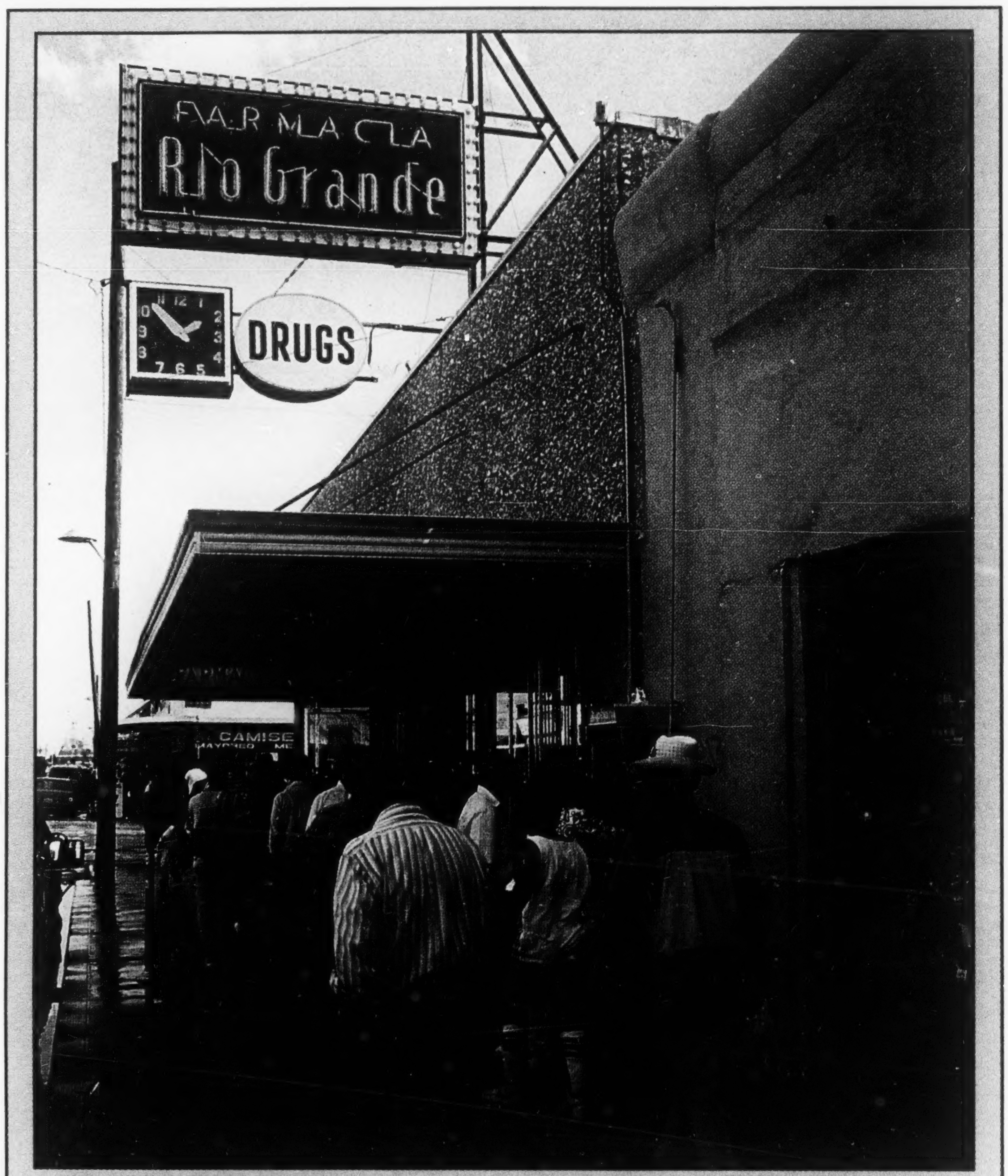

Border 'farmacias': health line to Mexico

By Elizabeth Richardson

EL PASO, Texas — For pharmacists who live along the nearly 2,100 miles of border that stretches from California to Texas, native Mexicans are often a considerable source of income.

The border "farmacias" on the U.S. side are the focal point for the health of thousands of Mexican people, who cross the border to receive their professional services.

But while the six Mexican states and four U.S. states that line the border may offer endless opportunities for retail pharmacies, the pharmacists in these areas also share common problems and situa

Continued on page IP13

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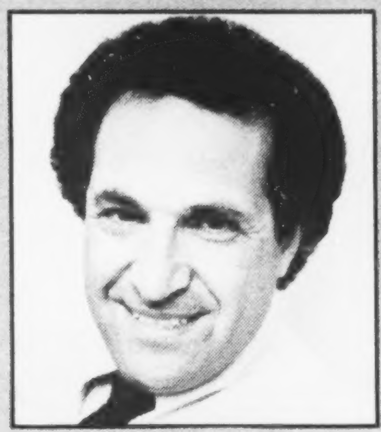
A salute to wholesalers



COHEN'S CAPSULES
HAROLD COHEN

As you've probably noticed, this issue of *Inside Pharmacy* features our annual drug wholesaler report. As I was reading over the copy, I couldn't help but think back to my retail drug store days. Once the owner of two stores, I have great respect for drug wholesalers. This is an industry that very quietly, but efficiently, allows our excellent system of drug distribution in this country to flow without interruption. Even the mega-chains, with their mammoth distribution centers, rely heavily on drug wholesalers to get them product that either their warehouse is out of or just doesn't carry.

Most of the pharmacists I've met, both chain and independents, hold a special fondness for the drug wholesaler. And well they should. What other industry gives their blend of services, and often at bargain-basement prices. Unfortunately, like anything that operates with super efficiency, they are sometimes taken for granted, until they are gone.

Yes, while reading over the pages in this issue on wholesalers my mind wandered. . .

It was a dark and stormy night . . .

I thought back to a stormy night one February. The snow started to come down early in the day. Since the storm had been forecast, business was brisk in the morning. By afternoon, roads became treacherous, and by nighttime, they were nearly impassable. A customer offered us his four-wheel drive vehicle to make deliveries. I graciously accepted. I guess I should have closed, but earlier in the day I promised a customer with a very sick child at home her medicine. Unfortunately, it was not a common item and we did not stock it. None of the surrounding stores had it. As I usually did in tight situations like this, I called my wholesaler. They had it! "Could you add it to my order?" "Sure" came the answer back.

That was before the snow began. I called my customer to let her know that my order would be delayed. She observed that it *was* so nasty outside, and that, for the time being, her child was resting comfortably. She would wait. If things got worse, and the medicine still didn't arrive, she would have to go to the hospital. As nightfall arrived, the streets were deserted. The only sounds were snowplows. I sent my clerks home early. Since I lived close to the store, I figured I would be able to make it home. So I waited for my wholesaler who was already several hours late. I was quickly giving up hope. As the hours wore on, the snow began to let up. As I was about to call my customer, I heard a familiar knock on my back door. Could it be him?

I opened the door. Standing knee-deep in snow was my wholesaler's driver. He looked at me straight in the eye and said: "I'm sorry, but the roads were pretty bad." I welcomed him in for something hot. He said he had one more delivery to make before heading home and asked to use my phone. He wanted to make sure the store for which he had a delivery was still open. While he was on the phone, I opened the boxes to check my order to make sure the medicine I was waiting for was there. It was. I called my customer and told her I would get someone to take it over to her. I called my other customer with the four-wheel drive and asked him if he would make a delivery. He said he would be right down. I wished my driver good luck on the trip home and he said "See you tomorrow."

Going the extra mile

Yes, my thoughts continued to wander. . . back to the early days of my retail career. I vividly remember my salesman, Bernie, who was more like a surrogate partner. Bernie, who worked for Bergen Drug Co. for what seemed like a lifetime, is retired now. It was no effort for Bernie to walk into my store at 8:00 p.m. or 9:00 p.m. for his weekly visit to do returns and show me what was new. But his visit was always more than business. It was a friend visiting. Bernie was also always available for a phone call at home. For that matter, he still is.

There are dozens of stories I can relate to you about my drug wholesalers. Suffice it to say, they were always there when I needed them. While I don't profess to know every wholesaler intimately, I have met quite a few since my retailing days. All I can say is, the two stories I've told exemplify the hard- working, efficient, and sometimes taken-for-granted wholesaling industry. Anyone who has ever dealt with a drug wholesaler must agree with me that without them, an important part of our fine drug distribution system would cease to exist.

Pay Less breaking down pharmacy walls

By James Frederick

WILSONVILLE, Ore. — Ask Dave Widen who Pay Less Drug Stores competes against, and he has a ready answer: everyone.

"All the lines between different retailers are getting blurred," said Widen, a veteran pharmacist who serves as vp-pharmacy operations at the 307-store drug chain. "Look at the membership of NACDS, for instance. It's not just a drug store organization anymore."

The blurring of those lines between drug, food and general merchandise retailers—with all of them now fighting for much of the same business—has been a big factor behind Pay Less' recent efforts to renew its emphasis on pharmacy as the basis of its business. Another spur to those efforts has been the enormous growth anticipated for sales of pharmaceuticals as the population ages and health care plans turn more and more to expensive new drug therapies.

"There are more older people, and more drugs being developed," Widen noted.

Both to distinguish itself from its mass-market competitors, and to position itself for the growth of the prescription drug component of the health care dollar, Pay Less is pushing hard to strengthen its pharmacy practice. "We've come back to pharmacy as a core department in our stores," said Widen. "We're a drug store first, with pharmacy at the forefront of our business."

Along those lines, the chain is marketing its pharmacy and core drug store departments more aggressively than it has for at least a decade. Among its newer marketing strategies are a gradual buildup in advertising for the pharmacy and H&BA side of the business, a new store prototype that gives the pharmacy prominent positioning as an anchor department at a front corner of the store, and an enlarged pharmacy management team with the addition of Gordon Barker as vp-pharmacy sales, a new position.

Barker's appointment reflects "the greater emphasis we're placing on pharmacy and the core departments," said Tim McAlear, executive vp and chief operations officer. "The volume was such that we needed someone to assist Dave by working with the store people and concentrating on sales and operations."

Barker, a Pay Less veteran who last served as general manager of store operations, will report directly to Widen. One of his biggest challenges, said Widen, will be to help integrate the pharmacy with Pay Less' traditionally broad mix of store departments.

"We're trying to break down the walls between pharmacy and the rest of the store, to make the pharmacy a key part of the overall store," said Widen. "The challenge is to emphasize pharmacies without eroding appeal of mass merchandise in our stores."

For Pay Less, that is no small task. Its stores range to well over 30,000 square feet—the biggest in chain drug retailing on average—and they bristle with a huge array of general merchandise categories, from fishing gear to hardware. Most stores also include outdoor garden centers, large-scale domestics and notions departments, and even a sizeable sportswear and leisurewear department.

Successfully meshing this kind of assortment with a rejuvenated, repositioned pharmacy has required a new store design, a new approach to the company's image advertising, and a more comprehensive, strategic approach to marketing and merchandising at headquarters. The chain must strike a fine balance between the health and beauty care side of the business and the broad-based, one-stop appeal of its huge stores.

Clarification

Please note that the Par Pharmaceutical spread that appeared in the Sept. 24 issue of *Drug Store News/Inside Pharmacy* was in fact a paid advertisement. Its contents reflected the views of its sponsor and not those of *Drug Store News*. We regret that the usual "advertisment" notification, which should have appeared on the top right hand page of this spread, was inadvertently omitted.

DRUG STORE NEWS
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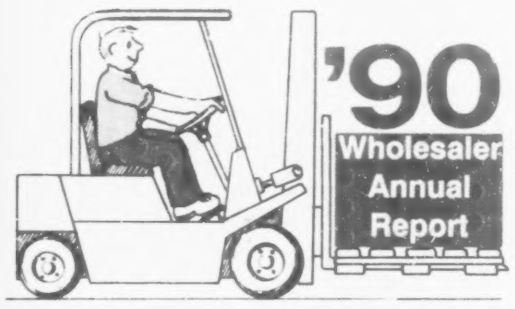
Drug wholesalers' future bright say industry execs

Continued from page IP1

With a major company like FoxMeyer up for sale, Whitmire thinks the industry is relatively volatile right now and "there are a lot of unknowns."

"The industry this year is in an interesting situation," says Bindley Western's chairman Bill Bindley. "I think the industry is very competitive right now, more than last year." At Cardinal Distributors, chairman and ceo Bob Walters says he feels the industry overall will do very well in the coming years but the road will be somewhat tumultuous.



In Chicago, where Humiston-Keeling operates, chairman Burt Olin notes that while everyone this year seems to be doing better than the year before, there are still market niches where some wholesalers are using cost prices to lure new business.

"We thought the competition had bottomed out, but it hasn't," said Olin. "There are situations in the street where companies are doing business at their cost, and that are utterly ridiculous."

FoxMeyer optimistic

At FoxMeyer, even though its parent, National Intergroup, has said it would be willing to talk to anyone interested in buying the Dallas-based wholesaler, president Bob King's outlook is straightforwardly positive.

FoxMeyer is in the midst of a very good year, with sales so far running about 20 percent ahead of last year and operating earnings up 40 percent over last year as well. The company ended its last fiscal year with $38 million in earnings, a substantial improvement over the previous year's earnings.

King says the industry is healthy and Fox is "moving forward," making the necessary investments in people, computers and facilities that he feels today's wholesalers have to make to become and remain profitable.

"This industry is always competitive," says Bergen Brunswig's president Phil Engle. "It isn't any less or any more competitive this year than any other. I also don't think you could say this industry is volatile."

Fred Toney, senior vp-sales and merchandising for McKesson Drug, agrees with Engle. He says drug wholesaling "has always been competitive and that this year, it is no more or less so than in other years."

The bigger companies have been able to improve profitability and efficiency through aggressive consolidation and modernization. This, as industry execs like Bill Bindley point out, has inevitably put some of the smaller companies at a competitive disadvantage.

"The whole continuing process of consolidation has been a mixed bag," comments Bindley. "It's been great for the bigger companies like McKesson and Bergen who have been able to generate enormous savings and economies of scale. But their success has hurt smaller companies because it's made it much harder for them to compete.

Yet, for those companies that are still in the process of enlarging and modernizing their facilities, dramatic increases in productivity are still attainable.

A good example is Humiston-Keeling. Since the rollout of its new modernization program seven months ago, the wholesaler's productivity increased an impressive 20 percent.

When wholesalers were asked to look into the future, most were staunchly optimistic.

"I spend a lot of time talking to financial people and potential investors," Bill Bindley says, "and I always tell them that if you don't want to buy our stock, then buy our competitors' because this industry has a strong future ahead of it."

DRISTAN
COLD PREPARATION

Sophisticated warehouse facilities like the one shown here at Fox Meyer contribute to drug wholesalers' overall efficiency and gross margins.

"We've had a good year," says Humiston's Olin, "and we think there's enough business out there for all of us to be profitable. The important thing is the independent. I think they are going to continue to do well, and if they prosper, we will too."

"The future is very promising," says McKesson's Fred Toney. "Pharmaceutical sales have been growing at a 13 percent compounded rate since the mid-80s, and they're projected to reach $75 billion by 1990. New drugs alone should generate over $10 billion in sales over the next ten years, so there is a lot to look forward to."

The nation's top 15 highest volume drug wholesalers

Company	Fiscal year ending sales	Drug wholesaling sales, most recent fiscal year (millions)	Est. drug wholesaling projections for next FY (millions)
1. McKesson Drug San Francisco	3/31/90	$6.4	$6.9 Est.
2. Bergen Brunswig Los Angeles	8/31/90	$4.4	$4.9 Est.
3. FoxMeyer Dallas	3/31/90	$2.3	$2.6 Est.
4. Alco Health Services Valley Forge, Pa.	9/30/90	$2.3	$2.65 Est.
5. Bindley Western Indianapolis	12/31/90	$2.0 Est.	$2.5 Est.
Total 1990 sales top 5: $16.8 Billion **Top five's percentage of total 1990 wholesaler sales:** 59%			
6. Harris Wholesalers Solon, Ohio	10/31/90	$1.4	$1.6 Est.
7. Amfac Folsom, Ca.	6/30/90	$1.26	$1.6 Est.
8. Cardinal Health Dublin, Ohio	3/31/90	$875	$1.100 Est.
9. Durr Fillauer Montgomery, Ala.	12/31/90	$600	$726 Est.
10. Humiston-Keeling Chicago	4/28/90	$544	$615 Est.
Total sales top 10: $21.48 **Top ten's percentage of total 1990 wholesaler sales:** 75.37%			
11. Moore Medical Corp. New Britain, Conn.	12/31/90	$305 Est.	$350 Est.
12. Owens & Minor Richmond, Va.	12/31/90	$300 Est.	$340 Est.
13. Ketchum & Company Clark, N.J.	9/30/90	$280 Est.	$300 Est.
14. Commons Bros., Inc. Elmsford, N.Y.	4/30/90	$270	$300 Est.
15. Drug Guild Distributors Secaucus, N.J.	7/31/90	$245	$270 Est.
Total sales top 15: $22.88 **Top fifteen's percentage of total 1990 drug wholesaler sales:** 80.28% **Total estimated 1990 sales for industry: $28.5 billion**			

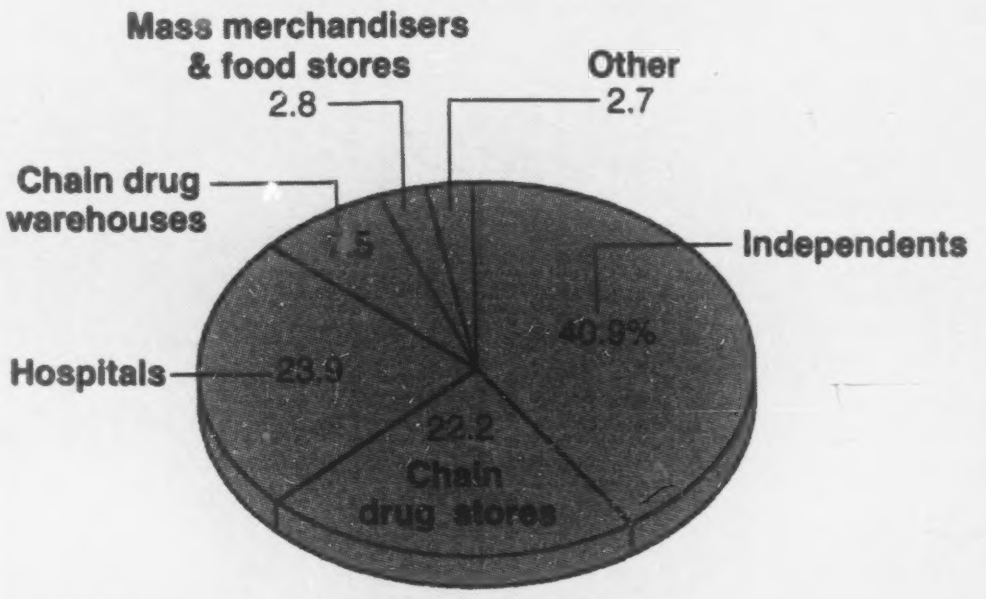
Source: *Drug Store News*/NWDA Survey

Consolidation, strong marketing boost McK's success

SAN FRANCISCO — This past fiscal year, McKesson Drug drove sales 12 percent higher to $6.4 billion, but operating profits rose just three percent and operating margin fell to 2.7 percent of sales from three percent, where it had held steady since 1987.

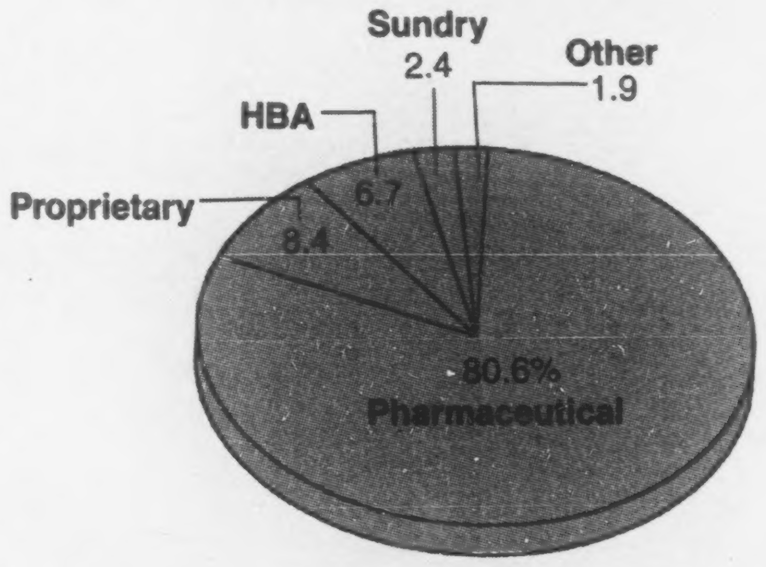
Despite the flattening results, McKesson again concentrated on consolidating its strengths as the industry leader.

1989 Drug wholesalers customer sales mix
(% of drug wholesale gross sales)



Source: NWDA 1989 Operating Survey

1989 Drug wholesalers: Product sales mix
(% of net drug wholesaling sales)



Source: 1989 NWDA Operating Survey NWDA/
Drug Store News Wholesaler 1990 Survey

Drug wholesalers: Product sales mix
(% of net drug wholesaling sales)

Product mix	1986	1987	1988
Pharmaceutical	76.4%	77.8%	77.0%
Proprietary	12.5	12.2	11.3
HBA	4.5	4.0	7.0
Sundry	4.3	3.1	2.6
**DME & HHC	1.1	1.1	1.0
Other	1.3	0.9	1.1

**Durable Medical Equipment and Home Health Care
Source: 1989 NWDA Operating Survey

Drug wholesalers customer sales mix
(% of drug wholesale gross sales)

	1986	1987	1988*
Independents	47.7%	45.6%	44.2%
Chain drug stores	23.7	22.8	21.7
Hospitals	20.1	22.2	22.8
Chain drug warehouses	5.1	5.0	6.1
Mass merchandisers & food stores	2.3	2.5	3.4
Clinics, nursing homes, others	1.2	1.9	0.9

*In 1988, 0.9% of total sales went to what NWDA defines as "other" customers. In 1989, this segment, which includes consulting pharmacists, increased to 1.6% of total sales.
Source: NWDA 1989 Operating Survey

In February, for instance, it bought Montreal-based Medis Health, Canada's largest and only nationwide drug distributor. The merger created the first integrated international distribution organization. Joe Polastri, McKesson Drug's president, said the deal is important because "Canada is especially attractive to McKesson. It has one of the highest economic growth rates among all western countries."

In the U.S., McKesson continues to drive sales through aggressive marketing programs. Last year, Wal-Mart selected McKesson as its prime vendor for nearly 1,000 stores with pharmacy departments. That account alone will put $400 million in McKesson's coffers.

McKesson

Valu Rite grows

According to Fred Toney, senior vp-sales and merchandising, sales are up in all of McKesson's customer segments, including a dramatic increase in Valu-Rite voluntary memberships.

At presstime, Toney said Valu-Rite had 3,254 members and was continuing to grow; that's up from 1,900 in 1986.

Sales of the Valu-Rite private label line also rose over the past year, up 24 percent, and driven in part by new product introductions, an increase in promotional support, and penetration of the line into more member stores.

'90
Wholesaler
Annual
Report

McKesson also beefed up its ad campaign for Valu-Rite when it debuted its first national cable television ad campaign supplementing existing print and radio ads. "At least two weeks out of every month there are commercials running for Valu-Rite on national cable," says Toney.

This year McKesson will distribute over 50 million Valu-Rite circulars, exposing the progam even more to consumers.

For retailers who choose not to join the Valu Rite program, McKesson offers a promotional support program called "Great Values." This year's circular, which had been printed in black and white, has been upgraded with color ads and enhanced graphics.

Hospital sales up

For hospital customers, McKesson introduced a new major on-line service known as *Econolink*. Hospitals with Econolink have the ability to "dial in" and check McKesson's inventory whenever they want to place an order. McKesson currently has 400 hospitals on Econolink, and expects 500 to 600 to be on-line before year-end. Toney says the same type of program is being designed for retailers.

Hospital sales have been growing so dramatically that McKesson recently created a new position, vp-hospitals and managed health care, to strengthen that department.

To stay in tune with its customers, McKesson sponsors four advisory boards: for hospitals, home health care and durable medical equipment, small chains, and Valu-Rite customers. Using them as a "sounding board," McKesson brings the advisors together to meet twice a year to help improve their services.

"We listen to our customers. We try to find out what they need and then we try to do it for them," says Toney.

McKesson has the same kind of working partnership with its manufacturer suppliers—as manifested by its one-and-a-half year-old program

Continued on page IP20

DiaBeta® TABLETS 1.25, 2.5 & 5 mg
GLYBURIDE HOECHST-ROUSSEL

FOR EFFECTIVE CONTROL OF TYPE II DIABETES

Brief Summary

DIABETA® (glyburide) Tablets

CONTRAINDICATIONS: DIABETA® is contraindicated in patients with: 1. Known hypersensitivity to the drug. 2. Diabetic ketoacidosis, with or without coma. This condition should be treated with insulin.

SPECIAL WARNING ON INCREASED RISK OF CARDIOVASCULAR MORTALITY: The administration of oral hypoglycemic drugs has been reported to be associated with increased cardiovascular mortality as compared to treatment with diet alone or diet plus insulin. This warning is based on the study conducted by the University Group Diabetes Program (UGDP), a long-term prospective clinical trial designed to evaluate the effectiveness of glucose-lowering drugs in preventing or delaying vascular complications in patients with noninsulin-dependent diabetes. The study involved 823 patients who were randomly assigned to one of four treatment groups (*Diabetes* 19[Suppl 2]:747-830, 1970).

UGDP reported that patients treated for five to eight years with diet plus a fixed dose of tolbutamide (1.5 grams per day) had a rate of cardiovascular mortality approximately 2½ times that of patients treated with diet alone. A significant increase in total mortality was not observed, but the use of tolbutamide was discontinued based on the increase in cardiovascular mortality, thus limiting the opportunity for the study to show an increase in overall mortality. Despite controversy regarding the interpretation of these results, the findings of the UGDP study provide an adequate basis for this warning. The patient should be informed of the potential risks and advantages of DIABETA® and of alternative modes of therapy.

Although only one drug in the sulfonylurea class (tolbutamide) was included in this study, it is prudent from a safety standpoint to consider that this warning may apply to other oral hypoglycemic drugs in this class, in view of their close similarities in mode of action and chemical structure.

PRECAUTIONS: General—*Hypoglycemia:* All sulfonylureas are capable of producing severe hypoglycemia. Proper patient selection and dosage and instructions are important to avoid hypoglycemic episodes. Renal or hepatic insufficiency may increase the risk of serious hypoglycemic reactions. Elderly, debilitated, or malnourished patients, and those with adrenal or pituitary insufficiency, are particularly susceptible to the hypoglycemic action of glucose-lowering drugs. Hypoglycemia may be difficult to recognize in the elderly and in people who are taking beta-adrenergic blocking drugs. Hypoglycemia is more likely to occur when caloric intake is deficient, after severe or prolonged exercise, when alcohol is ingested, or when more than one glucose-lowering drug is used. *Loss of Control of Blood Glucose:* In diabetic patients exposed to stress such as fever, trauma, infection, or surgery, a loss of control may occur. It may then be necessary to discontinue DIABETA® and administer insulin. *Information for Patients:* Patients should be informed of the potential risks and advantages of DIABETA® and of alternative modes of therapy. They also should be informed about the importance of adherence to dietary instructions, of a regular exercise program, and of regular testing of urine and/or blood glucose. The risks of hypoglycemia, its symptoms and treatment, and conditions that predispose to its development should be explained to patients and responsible family members. Primary and secondary failure should also be explained. **Laboratory Tests:** Response to DIABETA® Tablets should be monitored by frequent urine glucose tests and periodic blood glucose tests. Measurement of glycosylated hemoglobin levels may be helpful in some patients. **Drug Interactions:** The hypoglycemic action of sulfonylureas may be potentiated by certain drugs including nonsteroidal anti-inflammatory agents and other drugs that are highly protein bound—salicylates, sulfonamides, chloramphenicol, probenecid, coumarins, monoamine oxidase inhibitors, and beta-adrenergic blocking agents. Certain drugs tend to produce hyperglycemia and may lead to loss of control. These drugs include the thiazides and other diuretics, corticosteroids, phenothiazines, thyroid products, estrogens, oral contraceptives, phenytoin, nicotinic acid, sympathomimetics, calcium channel blocking drugs, and isoniazid. A potential interaction between oral miconazole and oral hypoglycemic agents leading to severe hypoglycemia has been reported. **Carcinogenesis, Mutagenesis, and Impairment of Fertility:** Studies in rats at doses up to 300 mg/kg/d for 18 months showed no carcinogenic effects. Glyburide is nonmutagenic when studied in Salmonella microsome test (Ames test) and in the DNA damage/alkaline elution assay. **Pregnancy:** *Teratogenic Effects:* Pregnancy Category B. Reproduction studies in rats and rabbits have revealed no evidence of impaired fertility or harm to the fetus due to glyburide. There are no adequate and well-controlled studies in pregnant women. This drug should be used during pregnancy only if clearly needed. Insulin should be used during pregnancy to maintain blood glucose as close to normal as possible. *Nonteratogenic Effects:* Prolonged severe hypoglycemia (4 to 10 days) has been reported in neonates born to mothers who were receiving a sulfonylurea drug at the time of delivery. DIABETA® should be discontinued at least two weeks before the expected delivery date. **Nursing Mothers:** Some sulfonylurea drugs are known to be excreted in human milk. If DIABETA® is discontinued and if diet alone is inadequate for controlling blood glucose, insulin therapy should be considered. **Pediatric Use:** Safety and effectiveness in children have not been established.

ADVERSE REACTIONS: Hypoglycemia: See Precautions and Overdosage sections. **Gastrointestinal Reactions:** Cholestatic jaundice and hepatitis may occur rarely; DIABETA® Tablets should be discontinued if this occurs. Gastrointestinal disturbances, eg, nausea, epigastric fullness, and heartburn, are the most common reactions, having occurred in 1.8% of treated patients during clinical trials. They tend to be dose-related and may disappear when dosage is reduced. Liver function abnormalities, including isolated transaminase elevations, have been reported. **Dermatologic Reactions:** Allergic skin reactions, eg, pruritis, erythema, urticaria, and morbilliform or maculopapular eruptions, occur in 1.5% of treated patients. These may be transient and may disappear despite continued use of DIABETA®; if skin reactions persist, the drug should be discontinued. Porphyria cutanea tarda and photosensitivity reactions have been reported with sulfonylureas. **Hematologic Reactions:** Leukopenia, agranulocytosis, thrombocytopenia, hemolytic anemia, aplastic anemia, and pancytopenia have been reported with sulfonylureas. **Metabolic Reactions:** Hepatic porphyria and disulfiram-like reactions have been reported with sulfonylureas; however, hepatic porphyria has not been reported with DIABETA® and disulfiram-like reactions have been reported very rarely. Cases of hyponatremia have been reported with glyburide and all other sulfonylureas, most often in patients who are on other medications or have medical conditions known to cause hyponatremia or increase release of antidiuretic hormone. The syndrome of inappropriate antidiuretic hormone (SIADH) secretion has been reported with certain other sulfonylureas, and it has been suggested that these sulfonylureas may augment the peripheral (antidiuretic) action of ADH and/or increase release of ADH.

OVERDOSAGE: Overdosage of sulfonylureas, including DIABETA® Tablets, can produce hypoglycemia. If hypoglycemic coma is diagnosed or suspected, the patient should be given a rapid intravenous injection of concentrated (50%) glucose solution. This should be followed by a continuous infusion of a more dilute (10%) glucose solution at a rate which will maintain the blood glucose at a level above 100 mg/dL. Patients should be closely monitored for a minimum of 24 to 48 hours, since hypoglycemia may recur after apparent clinical recovery.

Q69235-1288

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Circle **#010** on Reader Service Card

Bergen cuts expenses, drives sales with new marketing

'90
Wholesaler
Annual
Report

ORANGE, Calif. — Bergen Brunswig is building its performance with a two-pronged emphasis: lowering operating expenses and driving sales through new marketing programs.

"It's getting harder to reduce operating expenses because we've done so much already," said president Phil Engle. "but this year we were able to drop it a few more ticks."

Increased sales to $4.4 billion *(see financial story IP23)*, he said, have come from earlier investments in facilities automation, consolidation and upgrades, as well as a focus on service.

Engle said the company has been in a "sweet cash position lately. We were heavy with cash. We weren't borrowing, so we put our money into our inventories. We also did more forward buying which helped our gross margin."

The heavier investment in inventory, Engle said, resulted in a higher service level; its in-stock position of 96.5 to 97 percent rose to the 97.5 to 98 percent range. Being in a better position with in-stocks reduced Bergen's percent of lost sales and generated higher overall volume.

Marketing programs

Bergen introduced some new marketing programs this past year. For hospitals, it introduced *Prime Line*, an online order entry system that makes it possible for hospitals to access Bergen's inventory via computer.

> *Engle said the company has been in a "sweet cash position lately. We were heavy with cash. We weren't borrowing, so we put our money into our inventories. We also did more forward buying which helped our gross margin."*

"[Hospitals] can place orders, make substitutions, check our service levels and, in effect, it gives them a better tool to manage their inventories. [Hospitals] can see when an item is off contract and decide for themselves if they really want to buy that item now or wait until it's back on contract," said Engle.

The program broke in December. Bergen currently has 180 hospitals on line and over 300 exploring it as a possible program.

For its retail customers, Bergen improved its space management program and its Good Neighbor Pharmacy (GNP) voluntary program with circulars and more aggressive advertising. GNP currently has approximately 905 members, up about 150 members since last year.

Bergen Brunswig Corporation

The company is working also on developing a retailer version of its Prime Line inventory ordering program, which Engle estimates will be ready in about a year.

Engle says it has a new aggressive couponing program that is working well. "The stores are achieving the goals

Continued on page IP23

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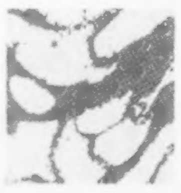
Hoechst-Roussel and the Diabetes Research and Education Foundation:
HELPING A KENTUCKY PHARMACIST HELP DIABETICS

"I believe that the pharmacist can and should play a larger role in getting diabetic patients to take better care of themselves."
Condit F. Steil, PharmD



DREF grants make a difference

Diabetics in Kentucky have Condit Steil to thank for making the pharmacy a more understanding and informative place. In 1987, he put together an extensive educational program designed to teach pharmacists about diabetes, the needs of diabetic patients, and most important, how to improve patient adherence to a diabetes care regimen.

Funds for Condit Steil's work, as well as for other creative research and education initiatives in diabetes, are provided by the Diabetes Research and Education Foundation. Since its creation in 1984, the Foundation has disbursed over $4.3 million to fund 255 projects. Foundation funds are derived solely from a percentage of revenues from DIABETA® (glyburide) and TRENTAL® (pentoxifylline).

DIABETES
RESEARCH & EDUCATION
FOUNDATION

Hoechst-Roussel and DREF: Helping your patients

For more information about Condit Steil's work and other DREF-supported activities that can help patients in your pharmacy, see your Hoechst-Roussel representative or write: Herbert C. Rosenkilde, MD, Executive Director, Diabetes Research and Education Foundation, P.O. Box 6168, Bridgewater, NJ 08807-9998.

Q69235-1288

Circle #10 on Reader Service Card

A leaner, stronger Alco proves buyouts can be healthy

VALLEY FORGE, Pa. — Alco Health is proving that leveraged buyouts can be healthy.

The fourth largest wholesaler, at $2.6 billion sales, has reached a "reasonable, realistic size," and trimmed its costs after a marathon round of distribution center consolidations. Alco Health undertook 10 warehouse consolidations and three divestitures in the past 21 months, said Don Steinbacher. Steinbacher, who has been vp-administration and treasurer, was named this month as northeast region vice president.

In the process, the work force was slimmed 20 percent to 2,300.

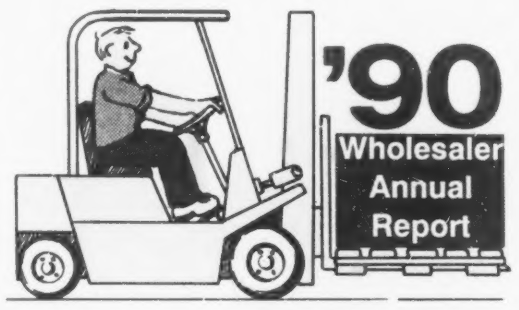
"We don't think we've lost any appreciable market share," Steinbacher said. A year-and-a-half into a management LBO, Alco Health now has 19 locations including one exclusively for H&BA and one for its Rita Ann cosmetics inventory, serving 30 states in the East and Midwest.

Steinbacher said Alco is meeting its interest payment and loan obligations with cash to spare as forecast, after the $500 million buyout.

Drug wholesalers: Expense and profit trends

	1986	1987	1988	1989
Gross profit*	8.19%	7.60%	7.34%	7.30%
Operating expenses	5.98	5.28	4.99	4.85
Operating profit margin*	2.21	2.31	2.34	2.45

*Fifo results
Source: NWDA 1989 Operating Survey



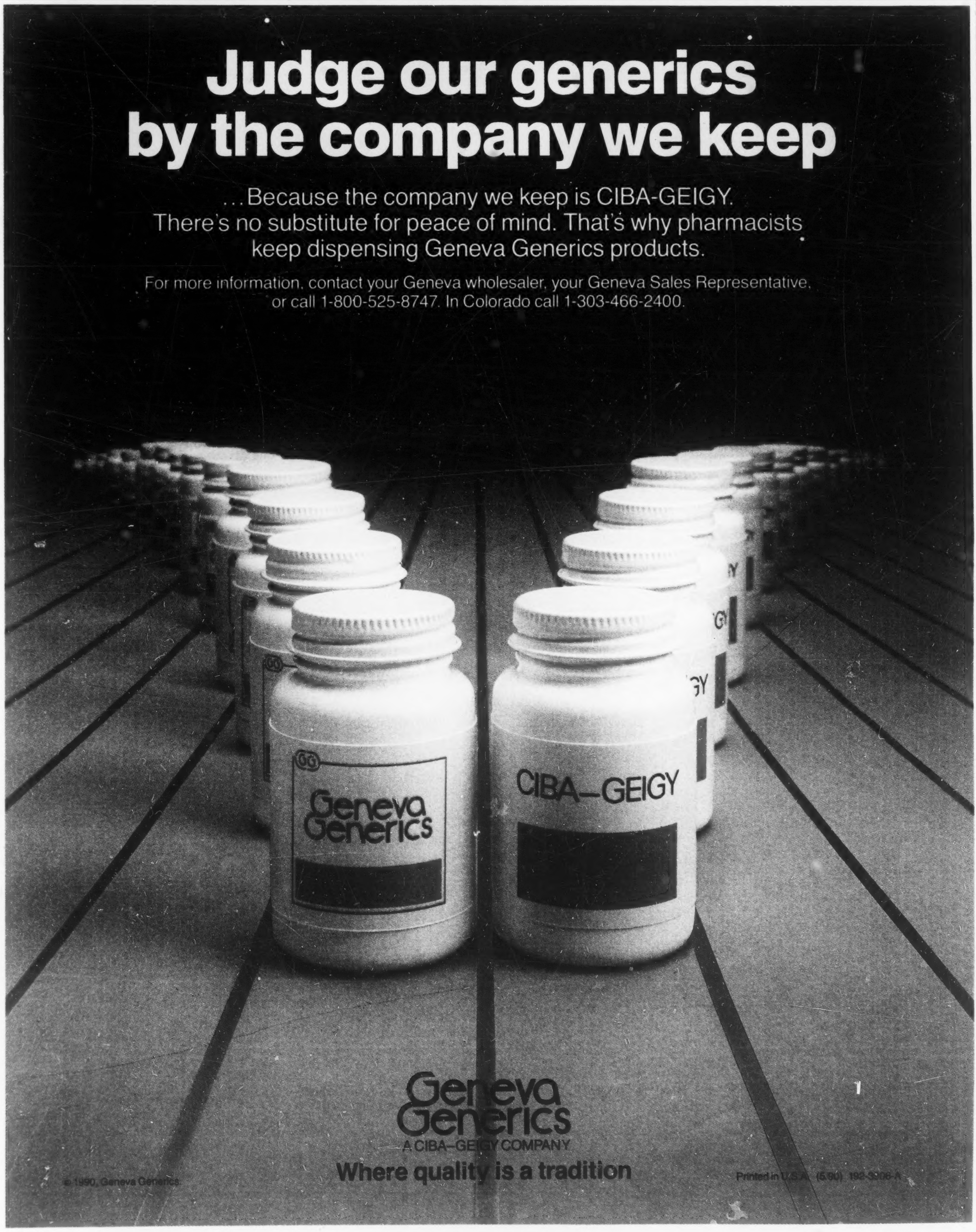
The changes have translated into improved service for customers, the result of larger DCs. Although some markets lost DCs, the lead times for deliveries have been unaffected since customer orders are picked and delivered at night.

Sales are currently about 40 percent to independents, 20 percent to chains and 30 percent to institutions. Alco would like to grow each segment, Steinbacher said.

A strong point has been Alco's Family Independent Pharmacy (FIP) voluntary program, which numbers 1,174 members. FIP expects the annual compounded sales growth of 16 to 20 percent since 1985 to continue.

ALCO HEALTH SERVICES NORTH/EAST

Among 37 programs and services offered the independent, FIP launched in July an IV Care program which helps accounts provide training and IV Care support.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Circle #11 on Reader Service Card

Consolidation spells success for McKesson

Continued from page IP18

called "Super KPA," which stands for Key Performance Areas.

"When a manufacturer wants or needs national distribution on a product, we'll place an order for that item on deal and get almost instant distribution," says Toney. "So when they're ready to start their advertising or a coupon drop, the item they're supporting will be available in the store."

McKesson offers a similar program to pharmaceutical manufacturers, it is called the Sav-Rx program.

Toney says programs are designed to assure that McKesson's retail customers get a much higher percent distribution of new products than would normally be the case for an average independent.

They also have service merchandise distribution facilities in several states: California, Massachusetts and Arkansas, that can distribute general merchandise and sundry products to select geographic markets. Through these facilities, McKesson customers are able to order a wide assortment of front-end merchandise that range from light bulbs to kitchen gadgets.

Customers can order fragrances from McKesson's fragrance division by dialing a toll-free number. Toney says these are all programs designed to make McKesson a cost effective "one-stop supplier."

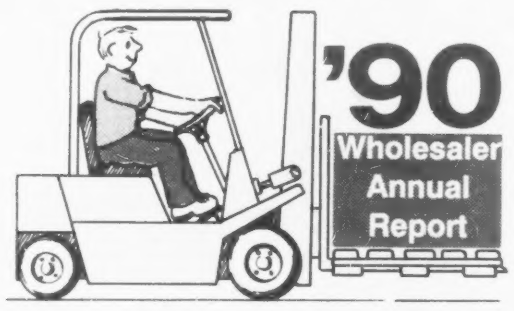
FoxMeyer forges ahead building sales and earnings

DALLAS — A bitter proxy fight earlier this year put FoxMeyer on the auction block, but since then, the company has been making steady progress in building sales and earnings.

No aggressive suitor has come forward to pursue a merger, and as FoxMeyer continues to invest in ways to improve its overall performance, it's possible that parent National Intergroup may decide it doesn't really want to consummate such a sale.

FoxMeyer ended its latest fiscal year with sales of $2.4 billion, up 21 percent over the prior year and with an 81 percent improvement in operating income.

Two of its current customers, Phar-Mor and K mart have been dramatically expanding, and as a result of their own growth, FoxMeyer's pharmaceutical sales to these customers has escalated.



Adding to sales increases is FoxMeyer's expansion into doing business with food chains like Giant Eagle. It has also been able to capitalize on stores being divested by drug chains like Eckerd and Revco.

FoxMeyer is attempting to expand its product mix this year by testing a new front-end program with a general merchandise supplier who can service two facilities in its northern division: La Cross, Wisconsin and Cincinnati.

"We've tried carrying general merchandise products in our own warehouses and it doesn't work," said president Bob King. "But through a partnership with a GM distributor, we should be able to service most of our retail customers with just about anything we need."

FoxMeyer

King says that FoxMeyer has also set aside a "substantial budget" to invest in computer technology and facility upgrades for the future.

Its Health Mart franchise program added over 100 customers in the past year and now stands at approximately 650 members.

Last year FoxMeyer launched a *Come Grow With Us* incentive program and attracted about 500 new retail customers.

Its hospital business also continues to grow in double digit rates, but is now its second strongest growth segment after chains.

FoxMeyer launched a program to focus on servicing suppliers of nursing homes, which King says has doubled FoxMeyer's sales to this customer base.

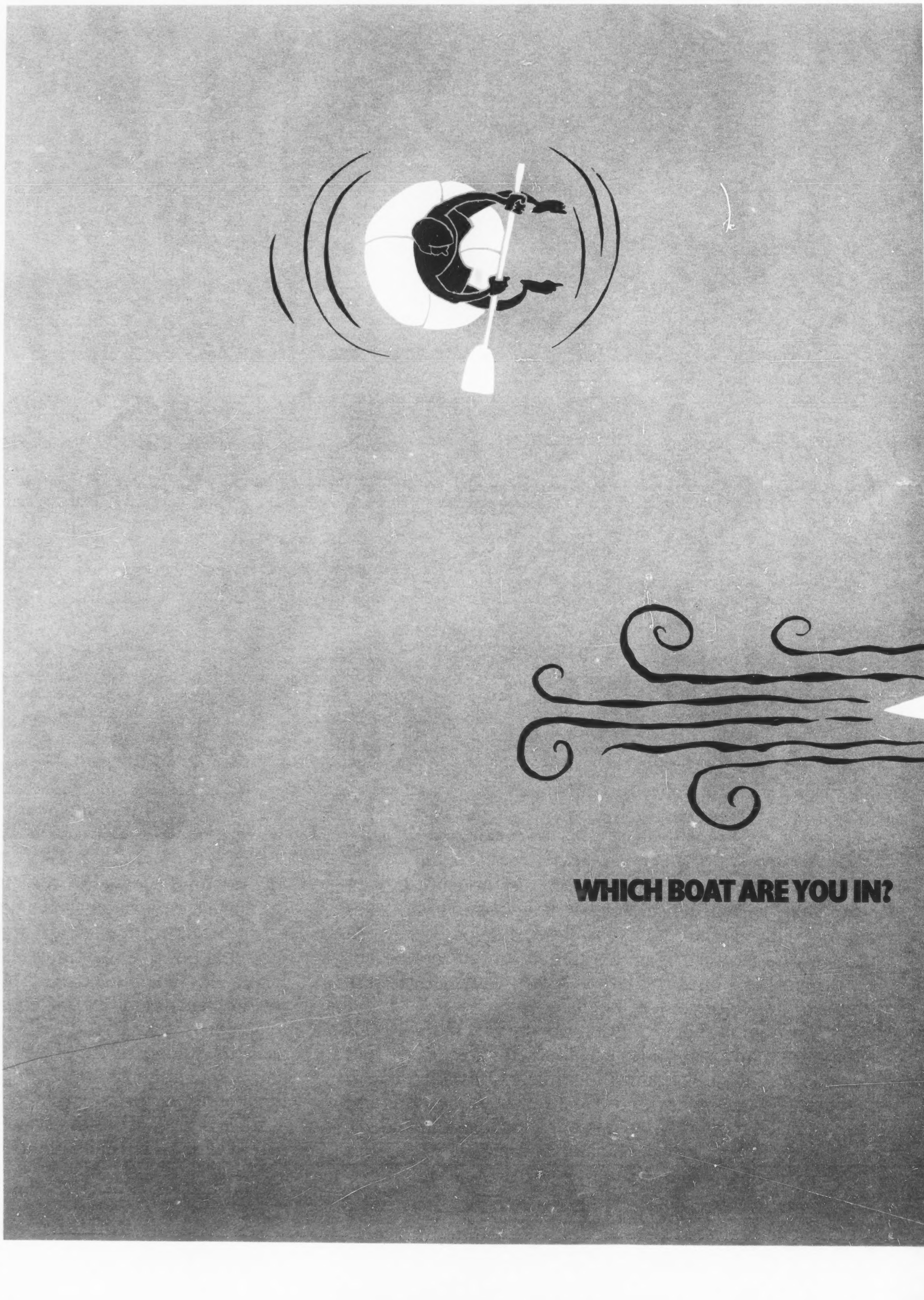
The company will soon be testing a pharmaceutical repackaging program similar to those developed by Cardinal and Alco.

FoxMeyer is aggressively seeking to reduce the cost of doing business by modernizing facilities and consolidating smaller volume houses into one bigger facility. It is hoped that an investment in computer programs will improve asset management, increase turns and identify slower turning SKUs.

Profile of an average drug wholesaler

Average SKUs stocked per facility	28,000
Average annual return on investment	15.34%
Average gross margins	7.82%

Source: Drug Store News/NWDA 1990 Wholesaler Survey


WHICH BOAT ARE YOU IN?

Bergen cuts expenses, drives sale

Continued from page IP19

they have set."

Pharmaceutical sales continue to be the strongest growth area for Bergen. Engle says the growth in pharmaceutical sales is being driven by the number of high ticket prescription products which Bergen stocks for hospital clients.

Bergen is also trying to drive sales of its front-end products. This segment now accounts for about 12 percent of Bergen's total sales, and Engle says he would like to see it reach 15 percent in the next few years.

It has been able to expand its mix by developing an "alliance with specialty suppliers." They call this program *Advantage Plus*, and through it, they are able to become a one-source supplier for their retail customers.

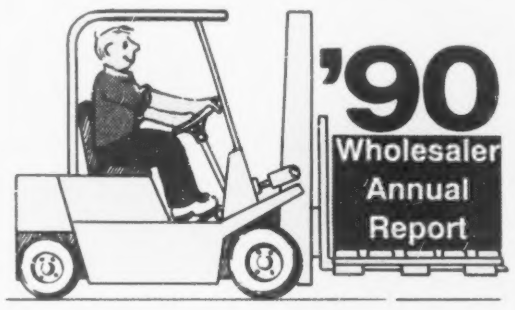
Under the program, customers order front-end merchandise like fragrances, cosmetics, small appliances, stationery and hosiery and Bergen forwards the order to one of its specialty suppliers.

This program helped Bergen to generate what Engle says is "much stronger growth than anticipated" in their front-end business this year.

Hospitals are still Bergen's fastest growing customer segment, but Engle says all segments of their business, even independents for the first time in years, are up into double digits this year.

Bergen is doing more business with warehousing chains, which Engle says is partly due to Bergen's "aggressively" seeking out this business and to the fact that chains want back-up suppliers for pharmaceuticals.

While Bergen didn't dramatically consolidate its facilities last year, this year it plans to open a major new super automated facility in Corona, Calif., which will consolidate three facilities: Anaheim, Buena Park and San Bernardino. Like Bergen's Valencia, Ca. warehouse, Corona will be fully automated with machines doing single picks on fast-moving pharmaceuticals.



Another three or four facilities are semi-automated, but Engle says the sales volume of each facility determines the amount of automation it should have. "We tailor the degree of automation to the volume of business we anticipate doing," he says.

Bergen has no plans to open any more facilities in 1992, but Engle says the wholesaler will be looking for acquisition opportunities.

This year, Bergen will also open a Kansas City facility, which will service customers in this region that were being serviced from Bergen's Tulsa, Oklahoma facility.

At this point, Engle estimates that Bergen is almost national, able now to service approximately 85 percent of the U.S. population.

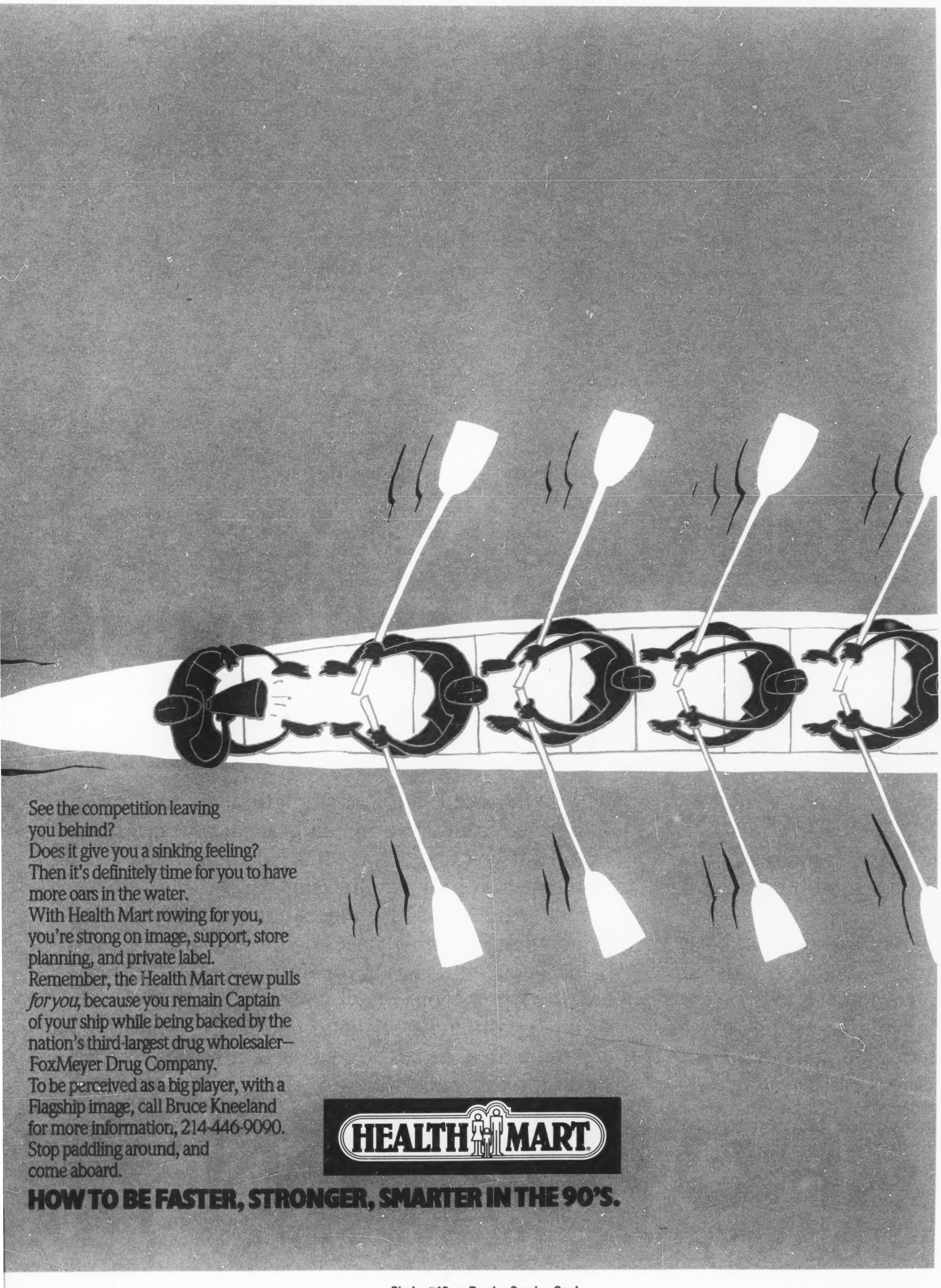
Bergen's net earnings, sales up in FY '90

ORANGE, Calif. — Bergen Brunswig Corp.'s net earnings gained 39 percent and net sales were up 13 percent for the fiscal year ended Aug. 31.

For fiscal 1990, net earnings were $66.1 million, versus $47.6 million for fiscal 1989, on net sales and other revenues of $4.44 billion, compared with $3.92 billion the previous year. The 1990 results include a $3.5 million extraordinary gain from early debt repayment equal to 9 cents per fully diluted share.

For the fourth quarter, net sales were $1.12 billion, up 13 percent from the previous year's $998 million, and net earnings were $14.5 million, compared with $10.7 million in the 1989 period, a 35 percent gain.

Robert E. Martini, president and ceo, commented, "Bergen Brunswig Drug Co. continued the strong sales growth performance, posting a 15.6 percent gain in the fourth quarter and finishing the fiscal year with a gain of 15.3 percent."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Bindley Western's strategic plan stays on schedule

'90
Wholesaler
Annual
Report

INDIANAPOLIS — Bindley Western's strategic plan is to become a full-line, full-service warehouse, and this year it is very close to completing that plan.

The company has broadened its customer base way beyond its traditional warehouse chain customers by creating what chairman Bill Bindley calls a "direct store delivery" (DSD) program that encompasses a broad variety of customers from independents, chains, to hospitals and nursing homes.

"We made the decision to create the DSD program because it became too difficult to create and bring in consistent earnings when we were totally dependent on chains," says Bindley. "It got so competitive our gross margin deteriorated."

At this point, Bindley is spending $13 million on capital improvements for its facilities, including computers and new product handling equipment. "The bottom line," says Bindley, "has been very positively affected."

For Bindley's first six months, earnings increased 76 percent over the prior six months. For the second quarter ended June 30, earnings were up 73 percent and sales rose 29 percent.

According to Bindley, the wholesaler has been trying to cut interest expenses through "a better job of buying." General and administrative

Continued on page IP29

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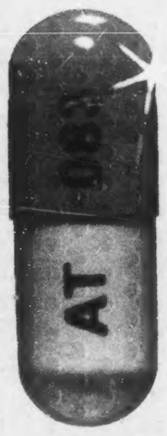

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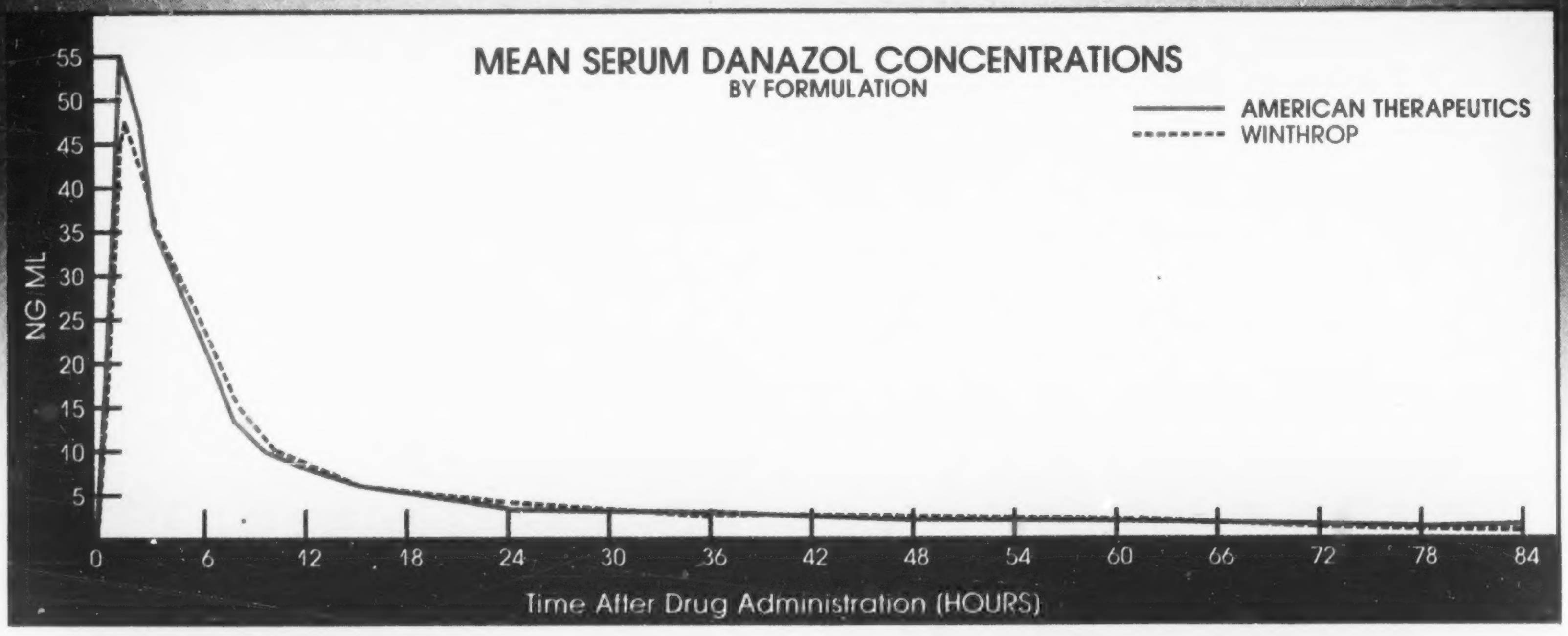

	AT 200mg	DANOCRINE® 200mg
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Half-life (hrs)	**11.21**	12.88
C max (ng/ml)	**63.41**	56.63
T max (hrs)	**1.97**	2.21

The bioavailability data demonstrates that Danazol Capsules USP 200mg manufactured by American Therapeutics, Inc. and the Danocrine® Capsules 200mg manufactured by Winthrop Breon/Sterling are bioequivalent.

See next page for summary of prescribing information for DANAZOL CAPSULES, USP 200mg

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BRIEF SUMMARY

INDICATIONS AND USAGE

Endometriosis. Danazol is indicated for the treatment of endometriosis amenable to hormonal management.

Fibrocystic Breast Disease. Most cases of symptomatic fibrocystic breast disease may be treated by simple measures (eg. padded brassieres and analgesics).

In infrequent patients, symptoms of pain and tenderness may be severe enough to warrant treatment by suppression of ovarian function. Danazol is usually effective in decreasing nodularity, pain, and tenderness. It should be stressed to the patient that this treatment is not innocuous in that it involves considerable alterations of hormone levels and that recurrence of symptoms is very common after cessation of therapy.

Hereditary Angioedema. Danazol is indicated for the prevention of attacks of angioedema of all types (cutaneous, abdominal, laryngeal) in males and females.

CONTRAINDICATIONS

Danazol should not be administered to patients with:
1. Undiagnosed abnormal genital bleeding.
2. Markedly impaired hepatic, renal, or cardiac function.
3. Pregnancy.
4. Breast feeding.

WARNINGS

Safe use of the drug in pregnancy has not be established clinically. Therefore, a nonhormonal method of contraception should be recommended. If a patient becomes pregnant during treatment, administration of the drug should be discontinued. Continuing treatment may result in an androgenic effect on the fetus, which to date has been limited to clitoral hypertrophy and labial fusion of the external genitalia in the female fetus. If the patient becomes pregnant while taking danazol, she should be apprised of the potential risk to the fetus.

Before initiating therapy of fibrocystic breast disease with danazol, carcinoma of the breast should be excluded. However, nodularity, pain, tenderness due to fibrocystic breast disease may prevent recognition of underlying carcinoma before treatment is begun. Therefore, if any nodule persists or enlarges during treatment, carcinoma should be considered and ruled out.

Long-term experience with danazol is limited. Long-term therapy with other steroids alkylated at the 17 position has been associated with serious toxicity (cholestatic jaundice, peliosis hepatis). The physician therefore should be alert to the possibility that similar toxicity may develop after long-term therapy with danazol. Attempts should be made to determine the lowest dose that will provide ade[illegible] protection. If the drug was begun at a time of exacerbation of angioneurotic edema due to trauma, stress or other cause, periodic attempts to decrease or withdraw therapy should be considered.

Patients should be watched closely for signs of virilization. Some androgenic effects may not be reversible even when drug administration is stopped.

PRECAUTIONS

Because danazol may cause some degree of fluid retention, conditions that might be influenced by this factor, such as epilepsy, migraine, or cardiac or renal dysfunction, require careful observation.

Since hepatic dysfunction has been reported in patients treated with danazol, periodic liver function tests should be performed (see **ADVERSE REACTIONS** section).

Check semen for volume, viscosity, sperm count and motility every 3 to 4 months, especially in adolescents.

ADVERSE REACTIONS

The following androgenic effects have occurred in patients receiving danazol: acne, edema, mild hirsutism, decrease in breast size, deepening of the voice, oiliness of the skin or hair, weight gain, and rarely, clitoral hypertrophy, or testicular atrophy.

Also hypoestrogenic manifestations such as flushing, sweating, vaginitis including itching, dryness, burning and vaginal bleeding, nervousness, and emotional lability have been reported.

Hepatic dysfunction, as evidenced by elevated serum enzymes and/or jaundice, has been reported in patients receiving a daily dosage of danazol of 400 mg or more. It is recommended that patients receiving danazol be monitored for hepatic dysfunction by laboratory tests and clinical observation. Prolongation of prothrombin time in patients stabilized on warfarin has also been reported.

Although the following reactions have also been reported, a causal relationship to the administration of danazol has neither been confirmed nor refuted: allergic: skin rashes and rarely, nasal congestion; CNS effects: dizziness, headache, sleep disorders, fatigue, tremor, and rarely, paresthesia in extremities, visual disturbances, anxiety, depression, changes in appetite, and chills; gastrointestinal: gastroenteritis, and rarely, nausea, vomiting, constipation; musculoskeletal: muscle cramps or spasms, joint lock-up, joint swelling, and pain in back, neck, or legs; genitourinary: rarely, hematuria; other: abnormal glucose tolerance test and increased insulin requirements in diabetic patients, loss of hair, changes in libido, elevation in blood pressure, and rarely, pelvic pain.

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Revised 02/88

Harris expanding Rx business, home health care line

SOLON, Ohio — Harris Wholesale wants to build its pharmaceutical business into hospitals, nursing homes and clinics and supply its retail drug store accounts with broader, lower cost selections of home health care and medical/surgical products.

The two-pronged strategy became possible after the sixth largest volume wholesaler was purchased by R.A.B. Holdings in January, 1989. Harris envisions developing "synergies" between the drug business and General Medical Corp., an R.A.B.-owned company, which is the country's largest med/surg supplier to nursing homes and clinics and the second largest supplier of the equipment to hospitals.

Harris's institutional business will gain a larger share of total sales but the independent retail accounts will remain a critical component, said Don Meyers, the 13-year Harris employee who was named president in September 1989.

"We think the strong independent is viable, and is very important to Harris wholesale," said Meyers.

Institutional sales—at 26 percent of total last year—will be 32 percent of $1.33 billion sales for the year ended Oct. 31. Boosting sales are new hospital pacts, including one with the 12-hospital Yankee Alliance.

HARRIS

Institutional sales should hit 34 percent next year as retail customers account for 52 percent (with the rest to drug and mass merchant chains), Meyers said.

Harris' sales have grown at a compounded rate of 20 percent for the past 10 years. Nearly 20 percent growth is also forecast for this year and 1991, he said.

Although Harris and General Medical operate as separate companies, they are "looking for ways to work together," according to Michael Visnich, who joined Harris from General Medical in Janaury as vp-retail marketing.

Driving sales, membership

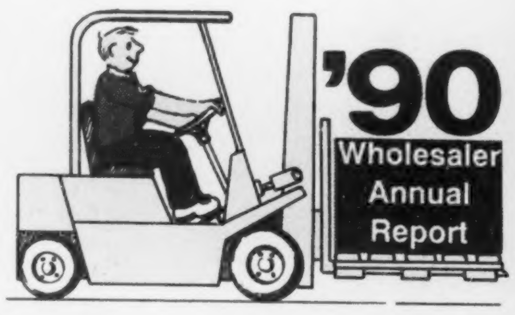
Visnich expects partnership benefits to accrue in helping drive membership and sales in Harris' Health Plus voluntary program, which counts 300 members today.

R.A.B. also is providing capital for growth as evidenced by a distribution center upgrade that will have all DCs upgraded or new by 1992.

Three of five DCs in Harris' northern and southeastern state markets in which Harris operates are remodeled or new, including a new Lakeland, Fla. facility replacing an old one in Miami. Next spring it will open a new 80,000-square-foot facility in Franklin, Mass., closing one in Providence, R.I. In 1992, Harris will open a new 250,000-square-foot Cleveland warehouse.

For its institutional businesses, Harris developed an in-house advanced ordering and inventory control computer system called Optimax.

Two months ago, Harris launched the Professional Pharmacy program for apothecary-style independents to create their own identity and participate in unique programs for smaller-sized stores.



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Description: Yohimbine is a 3a-15a-20B-17a-hydroxy Yohimbine-16a-carboxylic acid methyl ester. The alkaloid is found in Rubaceae and related trees. Also in Rauwolfia Serpentina (L) Benth. Yohimbine is an indolalkylamine alkaloid with chemical similarity to reserpine. It is a crystalline powder, odorless. Each compressed tablet contains (1/12 gr.) 5.4 mg of Yohimbine Hydrochloride.

Action: Yohimbine blocks presynaptic alpha-2 adrenergic receptors. Its action on peripheral blood vessels resembles that of reserpine, though it is weaker and of short duration. Yohimbine's peripheral autonomic nervous system effect is to increase parasympathetic (cholinergic) and decrease sympathetic (adrenergic) activity. It is to be noted that in male sexual performance, erection is linked to cholinergic activity and to alpha-2 adrenergic blockade which may theoretically result in increased penile inflow, decreased penile outflow or both.

Yohimbine exerts a stimulating action on the mood and may increase anxiety. Such actions have not been adequately studied or related to dosage although they appear to require high doses of the drug. Yohimbine has a mild anti-diuretic action, probably via stimulation of hypothalmic centers and release of posterior pituitary hormone.

Reportedly, Yohimbine exerts no significant influence on cardiac stimulation and other effects mediated by B-adrenergic receptors, its effect on blood pressure, if any, would be to lower it; however no adequate studies are at hand to quantitate this effect in terms of Yohimbine dosage.

Indications: Yocon® is indicated as a sympathicolytic and mydriatric. It may have activity as an aphrodisiac.

Contraindications: Renal diseases, and patient's sensitive to the drug. In view of the limited and inadequate information at hand, no precise tabulation can be offered of additional contraindications.

Warning: Generally, this drug is not proposed for use in females and certainly must not be used during pregnancy. Neither is this drug proposed for use in pediatric, geriatric or cardio-renal patients with gastric or duodenal ulcer history. Nor should it be used in conjunction with mood-modifying drugs such as antidepressants, or in psychiatric patients in general.

Adverse Reactions: Yohimbine readily penetrates the (CNS) and produces a complex pattern of responses in lower doses than required to produce peripheral a-adrenergic blockade. These include, anti-diuresis, a general picture of central excitation including elevation of blood pressure and heart rate, increased motor activity, irritability and tremor. Sweating, nausea and vomiting are common after parenteral administration of the drug.^{1,2} Also dizziness, headache, skin flushing reported when used orally.^{1,3}

Dosage and Administration: Experimental dosage reported in treatment of erectile impotence.^{1,3,4} 1 tablet (5.4 mg) 3 times a day, to adult males taken orally. Occasional side effects reported with this dosage are nausea, dizziness or nervousness. In the event of side effects dosage to be reduced to ½ tablet 3 times a day, followed by gradual increases to 1 tablet 3 times a day. Reported therapy not more than 10 weeks.^{3}

How Supplied: Oral tablets of Yocon® 1/12 gr. 5.4 mg in bottles of 100's NDC 53159-001-01 and 1000's NDC 53159-001-10.

References:
1. A. Morales et al., New England Journal of Medicine: 1221. November 12, 1981.
2. Goodman, Gilman — The Pharmacological basis of Therapeutics 6th ed., p. 176-188. McMillan December Rev. 1/85.
3. Weekly Urological Clinical letter, 27:2, July 4, 1983.
4. A. Morales et al., The Journal of Urology 128: 45-47, 1982.

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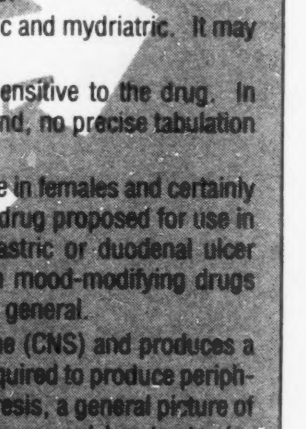

Revitalized franchise plan drives momentum of Owens & Minor

RICHMOND, Va. — Owens & Minor's drug store franchise program, Cardinal, has struck a responsive chord with independents here.

Backed by a strong recruitment drive in the Richmond market and new program features, Cardinal Drug has pushed membership from 33 stores in January to 80 stores in August, according to Hugh Gouldthorpe, vp-general manager, Drug Wholesale Division.

Program changes include a move to automatic distribution of promotional product into the stores, stepped up advertising, improved product costs to retailers, and a new private label line.

Gouldthorpe predicts there will be 100 Cardinal Drug Centers by year-end, after the first marketing phase is complete here. Then Cardinal will begin enlisting franchisees in the wholesaler's three other retail drug markets — Norfolk, Va., Wilson, N.C., and Ft. Lauderdale.

The goal has been "to make it as easy as possible for the customer to do business with us," said Gouldthorpe, a five-year O&M employee and former Squibb Corp. director of sales.

"The independents are the ones who brought us to the dance, and we plan on going home with them," said Gouldthorpe, emphasizing O&M's commitment to the retail business.

Retail wholesaling has been eclipsed at O&M while the nation's 13th largest wholesaler has emphasized medical/surgical distribution. Last year, for example, it bought National Healthcare & Hospital Supply, a major medical/surgical company in Orange, Calif. O&M also sells drugs to hospitals. The Cardinal program, actually 20 years old, has had erratic success, at the same time as O&M's retail customer base has grown to 800.

About $350 million of O&M's $1 billion-plus sales in the year ending December 1990 will be from drug wholesaling, and 38 percent of that will be from retail accounts.

Boosted by the National Healthcare buy, O&M reported sales of $593.3 million for the six months ended June 30, a 43.1 percent increase from the comparable period last year.

"The independents are the ones who brought us to the dance, and we plan on going home with them," said Gouldthorpe, emphasizing O&M's commitment to the retail business.

The revamp in the Cardinal Drug franchise program began in the second half last year, when the retail division hosted meetings of potential and current customers to get a read on their concerns. The meetings will now be held quarterly.

Marketing of the new program began Jan. 1. Key managers are Helen Dawson, manager of Cardinal retail services, Dennis Webb, vp-Richmond distribution center, and merchandise manager Leonard Campbell.

Two new program aspects are a private label line and the move to automatic shipping. The key to private label was enlisting enough business to allow favorable buying. Launched in June, Cardinal private label has 31 items, with eight more soon to be offered. Packaging features a distinctive red cardinal's head on a white and pastel green. To build exposure and sales, the products are also sold to O&M customers who aren't Cardinal members.

Automatic shipping of promotional merchandise will reduce administrative costs for both sides. Stores will no longer have to order 18 times a year. Stores are classed in three sizes based on volume and the product is automatically shipped. Retailers are also gaining more favorable costs for promoted merchandise.

"The customer knows what he can sell. He tells us what he wants. (Then) we never vary the quantity" and can place consistent orders with vendors, Gouldthrope said.

Other changes include:

- An emphasis on servicing the stores and on store programs including identity, planograming and custom pricing.
- extended dating on monthly ad merchandise.
- The Cardinal Health Information Resource Program (CHIRP) providing monthly information to the members, including how to design promotions.
- closer communications, such as with the new O&M Monitor, a newsletter on general health and professional issues.

Bindley strategic plans on schedule

Continued from page IP25

costs as a percent of sales have also been lower, primarily due to increased volume.

So far, with the exception of its Houston facility, which will remain basically a pharmaceutical facility rather than a full-line house, all the Bindley distribution centers have been modernized, enlarged or both.

Compared to 1987, Bindley says the wholesaler has "quadrupled" square footage in the warehouses.

Quadrupled space

Compared to 1987, Bindley says the wholesaler has "quadrupled" square footage in the warehouses with some partly automated.

Bindley is generating about $200 million a year from its full-line DCs compared to $160 million a year ago.

Bindley also has a "super" distribution center "on the drawing board." The chairman said, "we're looking at consolidating two or three facilities into one in 1991."

Bindley described 1989 as good for his company and 1990 as excellent. "We made some management changes and now have a very strong team."

Back in 1986, before Bindley identified DSD customers as the wave of the future, just nine percent of its total business was coming from this segment. Just three years later, 17 percent of its business came from this segment and when 1990 ends, Bindley estimates that about 20 percent of total sales will be generated from DSD customers. "Ultimately, we'd like to get it to 25 percent or 30 percent," according to Bindley.

About a year-and-a-half ago, Bindley created an automatic replenishment software program for pharmaceutical purchases which can be tailored to drug store and hospital customers.

Drug wholesaler industry profitability trends

Indicators	1986	1987	1988	1989
Return on net worth %	9.7%	12.8%	11.34%	14.3%
Return on total assets	4.46	5.55	4.67	5.84
Total asset turnover	3.88	4.11	4.15	4.10
Gross profit margins	8.19	7.60	7.34	7.30
Net profit margin	1.13	1.33	1.13	1.36

Source: NWDA 1989 Operating Survey

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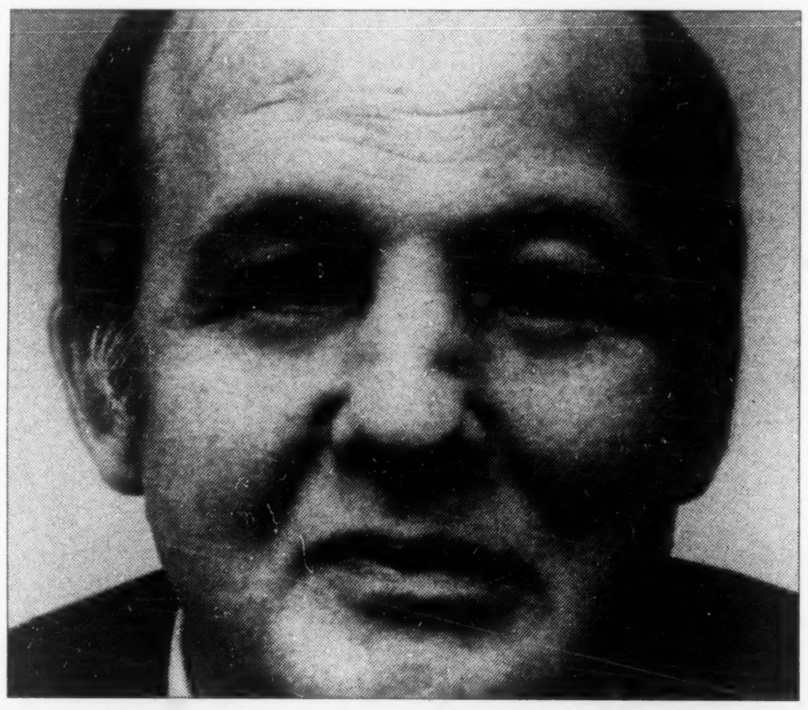

Jim Brady, former White House Press Secretary, Vice Chairman, N.O.D.

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